

**COMMISSION MEETING
THURSDAY, MARCH 8, 2007
MINUTES**

Chair Ellis called the meeting to order at 1:40 p.m. at the Red Lion Hotel located in Olympia. He then introduced the following members and staff present:

MEMBERS PRESENT: **COMMISSIONER JOHN ELLIS, Chair**, Seattle
 COMMISSIONER JANICE NIEMI, Vice Chair, Seattle
 COMMISSIONER ALAN PARKER, Olympia
 COMMISSIONER PEGGY ANN BIERBAUM, Quilcene
 COMMISSIONER KEVEN ROJECKI, Tacoma

STAFF PRESENT: **RICK DAY**, Director
 SHARON REESE, Deputy Director
 MARK HARRIS, Assistant Director–Field Operations
 DAVE TRUJILLO, Assistant Director – Licensing Operations
 AMY HUNTER, Administrator – Communications & Legal
 JERRY ACKERMAN, Assistant Attorney General
 GAIL GRATE, Acting Executive Assistant

Director Day: I would like to introduce Michael Moore, a licensing technician in our Licensing Operations Division, a bright young man who has contributed a lot to the agency itself. Michael served eight years in the United States Army. He began his service with the State in April of 1997 with the Secretary of State, joining the Gambling Commission in 1998 in our Licensing Operations Division. Michael recently completed his Bachelors in Science, Information Technology. Thank you, Michael. Next, Deputy Director Sharon Reese is receiving her 20-year service award, but information I have says that her contribution to the public safety of the State is 33 years. Her state service began with the Gambling Commission where she served six years as an agent, three years in negotiating, and then she moved into the high command ranks as the Assistant Director. Sharon then moved on to the Deputy Director position with the Criminal Justice Training Commission, before returning to the Gambling Commission as Deputy Director. Thanks Sharon.

1. Review of Agenda and Director’s Report:

Director Day: I would like to take a brief moment to go over the agenda and draw your attention to the revised schedule of Commission Meetings confirming that the August 9 and 10 meeting will be at the Hilton in Vancouver and the September 13 and 14 meeting will be at the Hilton Garden Inn in Yakima. Tomorrow’s regular Commission Meeting will begin at 9:00 a.m. which is a change from the regular time. Also, I understand that Chair Ellis wishes to call an Executive Session to begin at 8:30 a.m. **Chair Ellis:** That is correct and the purpose of that session is to allow the participation by our Legislative ex-officio members who are unable to be at our Executive Session at the end of our meeting today. **Director Day:** We have split the rules over two days, in order to make room for the Tribal Compact; the rules that will be up today are those that are up for discussion.

Legislative Update

Hearings on Proposed Rule Changes

Director Day: Under the Director's Report, is a memorandum to the Commissioners confirming your decision from last meeting that, beginning in April, proposed rule changes that come before the Commission will appear on the agenda twice with additional discussion in study sessions. The Commission has committed to providing an opportunity to increase the number of times on the agenda if a proposed change seems controversial and needs additional discussion. That request may come from the Commissioners, from the public, or from staff. The normal course of business has been for the Commission to consider the proposal the first time and decide whether to file. Then it is placed on the agenda for the next month as ongoing discussion. In most cases, the proposal would be deliberated, final testimony received, and final action taken in the third month. This change means that rule change proposals will appear on the agenda for filing and discussion, then not appear on the public agenda the next month but would be on the study session agenda to allow for continued discussion, and then the third month, the rule change would be on the agenda for final action.

Amy Hunter, Legislative Liaison: I put together a one page report describing which bills are alive and which are not. In that packet is an email from Mr. Williams who is asking for an amendment to one of our agency request legislative proposals. There are two substitute bills: the Zoning Bill (Substitute Senate Bill 5558); and the Internet Gambling by Players Bill (Substitute House Bill 2320). The deadline for bills to get out of the original committee was last Wednesday, February 28; the next deadline is Wednesday, March 14, for bills to get out of the house of origin. I want to take this opportunity to congratulate Commissioner Bierbaum, who has now been officially confirmed. We are working with Legislative staff on getting a confirmation hearing set for Commissioner Rojecki.

Agency Request Legislation:

House Bill 1218/Senate Bill 5376 – Commission Powers and Duties

Ms. Hunter: These are companion bills that allow the Director to issue temporary licenses and summarily suspend individuals, such as card room employees and also apply to a few operator licenses like amusement game operators and manufacturers. The House version passed 90 to 4 and the Senate version is still in rules.

House Bill 1345/Senate Bill 5375 – Penalties for Underage Gamblers

This bill sets a penalty for underage gamblers. We were attempting to mirror the current law and rules about the age to gamble, which is 18 to gamble except for two limited exceptions: one which deals with bingo when you are accompanied by a parent, and the other which deals with amusement games. Included is an email from James Williams, who is asking the Commission to support an amendment allowing those under 18 to participate "at nonprofit fundraising events if they are with their parent or guardian." Through my email dialogue with him, I think he is most interested in allowing children to be able to buy raffle tickets if they are with their parent or guardian. His email says that he has been doing fund raising events for years and seen

this occur. I am not sure if Mr. Williams is here today, but he is aware of the Commission Meeting and that I would be doing the Legislative Report at 1:30 p.m.

Commissioner Niemi: You said the Senate Bill is dead; doesn't that mean the Bill is dead? **Ms. Hunter:** No, because it was running in both the House and the Senate.

Commissioner Niemi: Then the House has passed it? **Ms. Hunter:** Yes, but then the Senate version is dead.

Chair Ellis: Are there any Commissioners who feel that the Commission should respond to Mr. Williams' request that the Commission support an amended version of this Bill and allow people under the age of 18 to purchase raffle tickets? Apparently not.

Substitute House Bill 1346 / Substitute Senate Bill 5374 – Barring List

Ms. Hunter: These are companion bills that deal with creating a barring list. Both versions are in Rules. We have been working with members to attempt to get them out of Rules, but I am not sure if the bills are going to make it out of rules during this session. The reason these are substitutes is because there have been a few changes deleting some very broad language about the Commission being able to put someone on the list if they were "a threat to the interest of the State." That was pretty broad language when we had the three reasons why a person would be put on the barring list set forth very clearly in the bill. Then there is also discussion and changes around the reasons why you could discriminate.

Other Bills:

Substitute House Bill 1477/Substitute Senate Bill 5558 – Regulating House-Banked Social Card Games/Zoning

Ms. Hunter: Moving on to the bills that are alive: the first one is the Zoning Bill (Substitute Senate Bill 5558), and it is my understanding from information we received this morning that the Senate may have well already voted on this; it was on the calendar today. One of the more significant changes that have been officially made since the last meeting include changing the date from January 1 to March 1 by which the agency has to either have an application or the card room has to be in operation, which will affect at least one person. We have one application that has come in between the January 1 and March 1 deadline, so this would assist that person, and possibly another one that we received right on March 1. That would still bring the total in this state to about 94; we have about 88 currently operating and about 6 applications. Another change is the immunity clause has been included and strengthened in the Senate version, which was one of the concerns the Commission had last month's meeting. The last change is that there has been additional language on page three. There has been quite a dispute going on between Kenmore lanes, which is a card room that is in federal litigation, and the city of Kenmore over whether they should be able to continue to operate or not. A referendum process has been added into the bill, but this is not something we have been directly involved with because we do not have a strong feeling one way or the other as to how that comes out.

House Bill 2320 – Internet Gambling Misdemeanor

Ms. Hunter: Substitute House Bill 2320 is the third bill that has been introduced on the topic of internet gambling by player. This is the only bill that staff is asking you to take a position on today. It is a response to the bill that was passed last year where internet gambling was made a felony. The way we have pursued those cases has still been what I would call a tiered approach where we are pursuing felonies against those who are the internet service providers. We have not pursued felonies against the players, although the law would technically allow that. When this bill was first introduced, it made gambling by the player a misdemeanor, which has now been amended to a gross misdemeanor. Staff recommends taking a neutral position on the bill. I think there are some legitimate questions about whether the law should be changed at all. It may send a mixed message with the federal government actively pursuing the internet gambling cases. Under federal law, the position has been that gambling on the internet is a felony and the state law now mirrors that. This bill would obviously change that to make it a gross misdemeanor. I understand there might be some discussion about the reference to gambling equipment; on page 1, line 16. Gambling equipment may make it sound like something is being exempted, but it is a little bit broader than personal use. Staff would recommend a neutral position

Chair Ellis: Do any Commissioners have questions on this bill? Is there anyone in the public who would care to address the position that the Commission should take concerning this bill? Let the record show that no one has stepped forward. Are there any members of the Commission who feel that the Commission should do anything except authorize taking a neutral position on this bill? Apparently not, so we will remain neutral on this bill. The same thing will apply to Mr. Williams' proposal concerning the exception to the underage gambling bill.

House Bill 1449/Senate Bill 5927 – Public Disclosure Exemption for Financial Statements

Ms. Hunter: The Public Disclosure Exemption for Financial Statements is still alive in both the House and the Senate.

Senate Bill 5055/House Bill 1706 – Removing Sunset Clause for Limited Waiver of Sovereign Immunity

Ms. Hunter: Both of these bills are in Rules, including the bills dealing with removing the sunset clause for the limited waiver of sovereign immunity.

House Bill 1599/Senate Bill 5693 – Allowing Raffles by State Employees

Ms. Hunter: House Bill 1599 is still alive and has passed the House.

The five bills at the bottom of the list are those bills that are dead, including House Bill 1257 dealing with the Legislative Approval of Compacts.

House Bill 1257 – Legislative Approval of Compacts

Ms. Hunter: There was not a Senate version of this bill and the House version did not have a hearing, so it died in Committee.

Commissioner Rojecki: I just wanted to go back to House Bill 1345 and ask a quick question on page two of Mr. Williams' email dated February 28. It talks about the change that he is seeking for that bill, but currently that is an illegal activity, correct?

Ms. Hunter: That is correct, it is illegal.

Correspondence:

Director Day: We have inserted the signature page and the cover page from the Spokane Compact to confirm that the Governor executed the Spokane compact on February 16 of this year. We also inserted copies of several letters we received and the response to each of those letters, and one additional email that came in.

Monthly Update Reports:

Director Day: There is no Congressional Update, but Jerry Ackerman and I traveled to Washington D.C with the primary purpose of attending the Internet Gambling Task Force meeting on Tuesday. On Monday, we had an opportunity to meet with Senator Cantwell and Senator Murray's staff and talk briefly about anything going on in Congress at this point. We learned there was nothing moving forward that we had not seen previously in the way of National Indian Gaming Commission's jurisdiction. We will keep track of that and if anything else develops, we will let the Commission know. We also had the opportunity to meet with almost the entire command level of the National Tribal Gaming Commission, including Chairman Phil Hogan, which was a very beneficial meeting. From Jerry and my perspectives, it was good to be able to meet the people that you seem to work with and try to establish a more common ground. I wanted to let the Commissioners know that we were there and in our opinion had pretty good meetings.

Annual Tribal Impacts and Charitable Contributions Report

Julie Lies, Assistant Director, Tribal and Technical Gambling Division: Chair Ellis and Commissioners, I am here today to present the annual report of tribal contributions both related to governmental agencies and charitable nonprofits. The Gambling Commission's rule in the 2 percent and 1 percent distributions is first. The Tribal Gaming Unit is tasked with ensuring compact compliance. Our staff performs independent reviews verifying the accrual and the distribution amount of the ½ percent of TLS to charitable nonprofit organizations and that the disbursement of the 2 percent fund goes to communities. We also participate in the 2 percent committees that decide what organizations are going to receive funds. Currently, I am one of those representatives and my three supervisors also participate in those. What is 2 percent community impact? The first type of distribution that we are going to discuss today is the community impact. The purpose of this impact was to help governmental agencies that were impacted by the tribal casinos. Impact varies; the language varies from compact to compact. It may be actual impacts, potential impacts, material impacts or impacts based on documented costs and impacts so it could be any one of those. Under almost all of the compacts, the 2 percent is of net win of the table games. This does not include satellite wagering (off track betting), sports pools, class II gaming if they operate a charitable table, or non-gaming revenue such as food and beverage or retail sales. Also, in some compacts, Keno is not included. The only exception is if the provable impact is more than the amount

accrued under 2 percent of table games. There is ½ percent of tribal lottery systems that can be applied so that all the impacts are paid. The community impact structures, the committee structures, can vary. There are some tribes that have no committees; there are some tribes that have to pay their 2 percent to a specific agency; and some of the committees do not have state representation. All of the 2 percent payments are made annually, and some tribes actually make quarterly payments. If you notice the year is 2005. The way staff verify these amounts is we get the audited financial statements for 2006 and 2007. We receive the audited financial statements for 2005 and 2006 and the tribes have through 2006 to make those distributions, which is why we are about a year and a half behind. There were 20 tribes in operation in 2005, which you will notice is a decrease.

Commissioner Niemi: Are these all impacts or are they charitable contributions that the Tribe gets also. **Assistant Director Lies:** These are only community impacts that go to local law enforcement and emergency services. **Commissioner Niemi:** Fire? **Assistant Director Lies:** Yes. We'll cover the charitable contributions in the next portion.

Commissioner Parker: So the figures you have, you don't have 2006? **Ms. Lies:** We'll have the 2006 report next year. **Commissioner Parker:** Does that represent the amount that the Committee has essentially allocated and distributed, as distinguished from the theoretical amount of 2 percent? **Assistant Director Lies:** The language of 2 percent impact funds, it says up to 2 percent so if there were no provable impacts or the provable impacts were less than the accrual, the only amounts here were the amounts that were actually distributed or paid. So if there was not provable impact, the money ends up going back to the Tribe. **Commissioner Parker:** I was just wondering if you have an estimate of, if the maximum were actually distributed, what that might be? **Assistant Director Lies:** I do not, but I can get that information for you and pass it along, if you would be interested. **Commissioner Parker:** I would be interested. **Commissioner Niemi:** This is just impacts, we haven't come to charitable yet? **Assistant Director Lies:** We have not come to charitable yet.

Chair Ellis: Is there any particular explanation, other than just impacts submitted to the committee, for the fact that we have a little over \$300,000 drop between 2004 and 2005 in the amount distributed? **Assistant Director Lies:** We have basically three reasons for that. One is that there was a decrease on some of the committees on request for impact funds. So they received fewer requests. We have some Tribes that there have been no requests for impact funds and many times in those cases, the Tribes already have service agreements with the organizations and so they are paid from the Tribe directly rather than through the impact fund. And the third reason is we have one Tribe right now that just began operating tables so out of the 20 Tribes there are only 19 that actually contributed to this total. One other thing that is not reflected here is what we call good neighbor donations. Those are the donations that may not fit the exact definition of impact, but the Tribe will pay them. For example, in Ocean Shores there is a Surf Rescue, which is not really impacted by the casino but is something that the resort visitors may use. The Tribe actually makes donations to that organization, but it is outside of the amount that is reported here. **Chair Ellis:** As a point of curiosity, during the past year, do you remember whether you have had any complaints from local jurisdictions saying they

should have received 2 percent impact fees that the committee decided they were not entitled to? **Assistant Director Lies:** Not complaints specifically on the committees that we have sat on. There have been some questions about process and how they go about receiving funds. I have received some calls from state patrol departments stating that they had gotten their applications in late and didn't receive funds and we made sure they were aware of the deadlines. We have one Tribe that does not have a committee, per se, that we are involved in and it has a different process. The Colville Compact, where if there is a dispute between the Tribe and the local jurisdiction on whether or not there was impact, they actually go through dispute resolution in which we are not involved.

Assistant Director Lies: For 2005, we increased the number of governments that received funds from 58 to 62, even though we had the decrease of a little over \$300,000. The community impact funds have been put into four categories: Fire and Emergency Services, which would include city fire departments or county fire districts and also includes ambulance and Medic One services; Local Law Enforcement, which includes police departments, county sheriff's offices, the state patrol, and sometimes tribal police departments; General Government, which includes city, county or tribal governments that receive funds; and Other Organizations like the Washington State Council on Problem Gambling, hospitals, chambers of commerce, county economic development offices, etc..

Commissioner Niemi: You say here, what is the 2 percent community impact, let's say in 2005 didn't the Tribes get slightly under a billion dollars – over \$900 million. What is 2 percent of that? **Assistant Director Lies:** The total net revenue that you were looking at, just under a billion dollars, included tribal lottery system funds as well. The 2 percent community impact really is only table games. Tribal lottery system income right now runs about 80 percent. **Commissioner Niemi:** What is the 2 percent amount, if they actually paid 2 percent? **Assistant Director Lies:** I don't have that information with me, but I will get the information and pass it along to you. **Commissioner Niemi:** Would you guess that it is more than what they paid in? **Assistant Director Lies:** It certainly is, because many of the Tribes have no provable impacts or they didn't receive impact requests or received lower requests. **Commissioner Niemi:** Is this 2 percent included in the compacts that we are going to look at tomorrow? **Assistant Director Lies:** No, 2 percent is not information that is included in the compact appendix. **Commissioner Niemi:** So in the compacts, there is no 2 percent? **Assistant Director Lies:** The 2 percent is in the actual compact itself. The compact language itself has a community service, public health and safety section, which is where this 2 percent comes from. In the appendix text there is a section 14 that is a mix of charitable donations. There is also a section that allows for additional proceeds to go towards impact funds if necessary. **Commissioner Niemi:** I would assume that 2 percent is probably higher than what the Tribes were giving, and it seems to me an impact fee should be for something that is an impact, which might be less than 2 percent. I think 2 percent might be higher, so what are the Tribes going to do with all this extra money they need to put in? **Assistant Director Lies:** The language in the compact itself says up to 2 percent. So the money ends up going back to the Tribe.

Director Day: Just for clarification, because I think it is important, as I understand for instance, the Squaxin Island Tribe has entered into memoranda of understanding (MOUs) directly with county law enforcement and with fire districts in their area, which include various things like cross deputization and who is going to handle what type of complaint, financial arrangements, and commitments for support. Those dollars involved in the ongoing endeavors are not in these numbers. **Ms. Lies:** Right, they are not included, they are separate. **Commissioner Niemi:** That is a pretty strange way to do an impact piece; because those memorandums of understanding are, in fact, impact fees. **Director Day:** Yes, the way it ended up working out was the Tribe would still be eligible if someone submitted impact requests to the Tribe, but the majority of impact request fees are from law enforcement and emergency services. These requests are happening under the MOUs and those agencies are satisfied with what they are getting through that process. But those amounts are not accumulated and added up under this report.

Ms. Lies: The original purpose for putting this section in here was knowing there was going to be some impact and having some avenue for those organizations to go ahead and apply for funds. What many Tribes have done is taken it out of that kind of impact process and dealt with it at a tribal level with those organizations. **Commissioner Niemi:** I have no problem with how the Tribes have handled it. I think it might be a little complicated for you and for our figures, but I understand you are handling it just fine.

Chair Ellis: Is there any mechanism by the Commission or the Tribes to try and be able to report all of the funds that the Tribes are paying for local impacts, including those coming through the 2 percent process as well as those paid independently under MOUs or in any other way? **Director Day:** The proposed Appendix X2 that is coming forward has a community contributions and investment section which covers all services. The Tribes would be required, if the proposed Appendix X2 goes through to the Governor, to prepare an annual report that specifies the date, the amount, and the type of service, which may provide a broader type of documentation of those contributions. One thing about calculations, these are on table games and, generally speaking, table games are a small part. The TLS or the scratch ticket games account for somewhere between 80 and 90 percent of the revenue. The last pie charts demonstrated a net win for the Tribes in 2006 of about \$1.2 billion, so if you want to use your mathematical skills you can come very close to what the basis of 2 percent is calculated on.

Chair Ellis: Can you tell us what the rationale was originally, other than from the Tribes obvious point of view of excluding the TLS revenues from the 2 percent calculation?

Director Day: No, but I do know that when the compacts first started in 1981, and I believe this contributes to it, there were only table games. Appendix X came later in 1988, and added what is known as the 1 percent, which is an additional ½ percent of their additional impacts and ½ percent for charitable contributions. **Chair Ellis:** That additional 1 percent includes and applies to the TLS revenues? **Director Day:** Yes.

Assistant Director Lies: As Director Day has said, the original compacts were only table games. With Appendix X, the machines came in and there was an acknowledgement that there may be additional impacts related to those machines, which

is why the 1 percent is split in half: half of tribal lottery system revenue to charitable and the other half towards additional impacts that may come in through machine games.

Director Day: Once we know that everything is consistent, there is always an exception. As Julie mentioned, in the Colville compact their 2 percent is actually based on all Class III gaming. **Chair Ellis:** Does the Commission have a right to assert a Most Favored Nation provision as to the other Tribes based on that? Don't bother answering, it was a facetious question.

Ms. Lies: Moving on to the ½ percent of tribal lottery system charitable distributions, which is the second type of contribution made by the Tribes. A requirement under Appendix X is to distribute one half of 1 percent of tribal lottery system net win to bona fide charitable/nonprofit organizations within Washington State. Net win is the amount wagered less prizes paid. In this section, the Tribes are allowed to make some deductions based on the cost of developing, licensing, or otherwise obtaining the use of the tribal lottery system. Also in the first year of operation the Tribes are allowed to reduce the ½ of 1 percent by half, which would be ¼ of 1 percent. In the second year, the Tribes are allowed to reduce it by one quarter. So you will see that in 2005, we had almost \$6 million that were distributed to charitable organizations. For clarification, the charitable organizations are within Washington State, which means that if they are considered charities by the Secretary of State they would be allowable under this. We do not hold them to the 501C3 standard. **Commissioner Niemi:** If it is for 2005, can we say \$1 billion because it is very close to \$1 billion? So this would be \$5 million? **Ms. Lies:** Yes. **Commissioner Niemi:** \$5 million in charitable contributions to a \$1 billion dollar industry, which is now way past \$1.2 billion. I think everyone in this room knows what a small amount that is, but I don't know if the public knows.

Ms. Lies: For 2005, 941 organizations received distributions from contributing tribes, which is up from 777 organizations last year. The 2 percent amount is actually less than the tribal lottery systems (TLS), and again this goes back to the fact that tribal lottery systems make up a lot more of the net revenue of the tribe than tables. The TLS charitable distributions break down based on the chart that you see. Social and community organizations include medical organizations such as March of Dimes, Muscular Dystrophy, Red Cross, Food Banks, Housing Authorities, Veteran's Associations, and Fraternal or Cultural Organizations. The educational programs are schools, academies, PTAs, colleges, scholarships, and libraries. The youth programs include such organizations as the Boys and Girls Clubs, Boy Scouts, Girl Scouts, YMCA, as well as camps for youth. Church organizations are those related to church, church academies, ministries, or festivals. Sports organizations include things like the park and recreation centers as well as baseball, basketball, football, hockey, and rodeo associations. Tribal organizations include programs like cultural programs, educational programs, museums, or environmental programs that are for Native American organizations. And just as a point of information, the tribal percentage last year was 19 percent, so it has dropped to 9 percent for this year. The educational programs increased from 13 percent to 22 percent this year. **Chair Ellis:** Are there any particular reasons for those two changes Julie? **Assistant Director Lies:** No, I think it depended on who was

requesting those funds. There was a question last year that may have impacted it regarding how much money was going to tribal organizations; because it was coming from a Tribe, the Tribe was supposed to be making donations.

2. New Licenses and Tribal Certifications:

Mr. Trujillo: Under Tab 2 you will find this month's Commission approval list for new licenses and Class III certifications. Staff recommends approving all new licenses and Class III certifications as listed on pages 1 through 29. **Chair Ellis:** Are there any unusual issues reflected in this list? **Mr. Trujillo:** No, there are no unusual issues.

Commissioner Niemi made a motion seconded by Commissioner Rojecki to approve the list of new licenses, changes, and tribal certifications as listed on pages 1-29. Vote taken; the motion passed unanimously.

Director Day: Because the Commission does not meet in June, the Commission will need to elect its new officers next month at the April meeting in Pasco. We usually let the public know when the elections will be taking place. Also, Ms. Hunter just gave me an update that the Zoning Bill passed the Senate 48 to 0.

3. Defaults:

Garbe's Tavern, Chehalis, Pull-Tab License Revocation

Jessica Sutton, Owner

Melinda Froud, Staff Attorney, Communications and Legal Division: Staff is requesting one default order and one summary suspension today. The default is for Garbe's Tavern. Before I start, I wanted to inform you that Ms. Sutton, the owner, called our paralegal yesterday indicating that she was planning on attending today's meeting. Staff received word today that on her way here, she wrecked her car and will not be making it. Staff is requesting, however, that the punchboard and pull-tab license issued to Garbe's Tavern be revoked. The licensee failed to submit its punchboard/pull-tab activity report for the first and second quarters of 2006. The licensee received a notice of violation and settlement, which gave her an opportunity to resolve the violation by paying a \$300 fine and submitting the delinquent report within 15 days. When the licensee failed to pay the violation and submit the delinquent report, staff served Garbe's Tavern with charges by regular and certified mail, which Ms. Sutton signed for on January 5. The Commission's legal secretary subsequently made a courtesy call to the licensee regarding the charges and left a message for the owner. The licensee failed to respond to the charges and on February 12, a commission agent went to Garbe's Tavern and informed the owner that a default order would be presented at the March commission meeting. By failing to respond to the charges, the licensee has waived its right to a hearing and staff is requesting a default order be entered revoking the punchboard and pull-tab license.

Chair Ellis: In any of these communications between the Commission and Ms. Sutton, or any representatives of the tavern, have they indicated why Ms. Sutton might have attended to contest this action of the Commission, or if Ms. Sutton has a defense she feels can assert to the revocation of her license? **Ms. Froud:** The only thing I am aware of is

that back in September when the NOVAS was issued, or even prior to the NOVAS, Ms. Sutton indicated that the paperwork was with her accountant; but since then, no.

Commissioner Niemi: Are they still selling pull-tabs? **Ms. Froud:** Yes, to my knowledge they would be. **Commissioner Niemi:** So you haven't had any reports for the activity from the first and second quarter of 2006 or any reports subsequently? So they have been selling all this time without a license? **Ms. Froud:** They have been selling with a license but not submitting the required reports. **Commissioner Niemi:** And Ms. Sutton didn't tell you why she wanted to attend? **Ms. Froud:** No.

Commissioner Bierbaum: I thought I heard you say earlier that she indicated that she had wrecked her car on her way here. Do we have any reason to believe that is not true?

Ms. Froud: Not to my knowledge. **Commissioner Bierbaum:** There is no way to check with the State Patrol? Is there any reason, let's assume for the sake of argument that she is telling us the truth, would there be anything wrong in putting this off for a month, in case she is telling us the truth? **Ms. Froud:** That certainly would be an option for the Commission.

Chair Ellis: Maybe before we get further into the merits of the issue we should confirm what appears to be obvious, is Jessica Sutton or any other representative of Garbe's Tavern here today? Let the record show that no one has stepped forward. Is there a motion concerning this proposed default?

Commissioner Niemi: Well, before the motion, I'd like to try to figure this out. Have you asked her for reports for the final two quarters of 2006? **Ms. Froud:** Not for third or fourth quarters – that would be something she is obligated to turn in. We did not amend the charges. I think timing was such that charges went out in early January, and the due date for the third and fourth quarters would have been January 30. **Commissioner Niemi:** What concerns me is, whether or not Ms. Sutton wrecked her car, she has not given you any reports. If in fact what she is telling us is true, is it possible for her to, within a certain number of days, ask for a reconsideration of the final order? **Mr. Ackerman:** Yes it is. If the Commission is concerned about making sure that if something has happened to Ms. Sutton she has an opportunity to appear, the Commission has two options: one option would be to set this over to the next meeting, but I don't know whether that is good or bad for Ms. Sutton since the next meeting will be in Tri-Cities; the other option would be to enter a default order today and Ms. Sutton could bring a motion to vacate the default and have the matter heard on whatever merits she may choose to bring forward before the Commission. But again it is in Tri-Cities and I don't know how she would react to that. **Commissioner Niemi:** Assuming that if we did go ahead with the default, Ms. Sutton would be informed immediately that she could make a motion for reconsideration. I would prefer that option, but I am not moving that we do that at this time until I hear what the other Commissioners would prefer to do.

Chair Ellis: In either event Ms. Sutton would have to appear in the Tri Cities; whether we continue this for a month or whether we adopt the default order and allow her to appear. I think it is also pertinent, based on our past approach, that Ms. Sutton would bear a very low burden if she wanted to vacate the default. Although if she did not have a defense for her failure to submit the activity reports and for her failure to follow up in

response to the NOVAS fine and that process, Ms. Sutton might have trouble succeeding on the merits of the issue.

Commissioner Parker made a motion seconded by Commissioner Niemi that the Commission enter the default order revoking Garbe's Tavern's license to conduct authorized gambling activities. *Vote taken; the motion passed unanimously.*

4. **Request for Summary Suspension:**

Fay H. Lee, Card Room Employee, Great American Casino, Shoreline

Ms. Froud: While working as a card room employee for Great American Casino, the licensee repeatedly set aside a portion of a player's winning wagers taking the chips and dropping them into his tip box. However, the player did not authorize the tips. Casino employees and a commission agent reviewed surveillance recordings that showed Mr. Lee using this method three different times to set aside a portion of the chips and drop a total of \$150 of unauthorized chips into his tip box. Great American Casino subsequently terminated Mr. Lee's employment; however, he is currently working at Royal Casino. Orders of summary suspension are only issued in very serious cases and because of the seriousness of them a licensee is entitled to two hearings. The first is a state hearing where the individual may ask the Judge to give him a stay of relief from the order. The second hearing would proceed similar to a revocation hearing. The Director is not currently authorized to issue orders of summary suspension against individuals. Part of the agency request legislation would authorize the Director to issue these orders. If the Commission signs the order, an agent will personally serve the licensee who must stop working immediately.

Chair Ellis: In terms of the process that you described, I take it that the Commission does not take the approach that this is a contested hearing at which the card room employee could appear and respond to the allegations?

Ms. Froud: Correct; in the past when we have issued summary suspensions, they raise that level where we go ahead and take action and then the licensee has the opportunity to request a state hearing.

Chair Ellis: I know the employee is notified of their right to do that in the materials or in the proposed order. I noticed that it is indicated that if they request a state hearing within 15 days from the service of the order upon them, then a hearing will be conducted within seven days after that time. How would that happen? Have there been such hearings conducted in the past?

Ms. Froud: Yes, we coordinate with the Office of Administrative Hearings and the AG to make sure we can meet those deadlines.

Chair Ellis: I see; so they are conducted before an ALJ. Do any of the Commissioners have questions concerning the proposed summary suspension of Fay H. Lee? For the record, is Fay H. Lee present or is there anyone present on their behalf? Let the record show that no one has stepped forward.

Commissioner Bierbaum made a motion seconded by Commissioner Rojecki that the Commission enter an order summarily suspending Fay H. Lee's card room employee license to conduct authorized gambling activities, pending an opportunity for a formal hearing by an Administrative Law Judge. *Vote taken; the motion passed unanimously.*

Chair Ellis called for a break at 2:40 p.m. and reconvened the meeting at 2:55 p.m.

Rules Up for Discussion

5. Rules Simplification Project – Card Room Rules

- a) **New Section WAC 230-15-065** – Enforcement of card game rules of play.
- b) **New Section WAC 230-15-126** - Cutting cards in center dealer dealt games.
- c) **New Section WAC 230-15-150** - Selling and redeeming chips.
- d) **New Section WAC 230-15-275** - Surveillance requirements for Class F card rooms.
- e) **New Section WAC 230-15-285** - Camera and monitor requirements for closed circuit television systems.
- f) **New Section WAC 230-15-320** - Surveillance room requirements for house-banked card game licensees.
- g) **New Section WAC 230-15-400** - Accounting for player-supported jackpot funds.
- h) **New Section WAC 230-15-430** - Internal control requirements.
- i) **New Section WAC 230-15-475** - Tips from players and patrons to card room employees.

(These rules won't become effective until 01-01-08.)

Ms. Heston: These rules were pulled from the original packet because they had rather substantive changes, and are up for discussion today. We have been through them before, but the rules about enforcement were changed and we added a rule about cutting cards in center dealer dealt games. On page three, we changed the surveillance game requirements at the request of licensees during the discussion period. On page four, we made some changes for getting checks into the bank by a certain time and also when to transfer money owed from the PSJ account to the cage or general account. On page seven, the tip rule that was changed in January was rewritten. These are up for discussion, and staff recommends continuing discussion.

Chair Ellis: It makes sense to treat these rules separately from your nonprofit and bingo rules. Are there any questions concerning this group of card game rules? Apparently not. Are there any members of the audience that would like address these card game rules? Apparently not. We will close the public hearing on these card game rules. I gather these card game rules have been discussed and reviewed by members of the industry and that any problems with them have been worked out. **Ms. Heston:** Yes sir, in fact, many of these changes were at the request of members of the industry, and came up during the discussion of the larger chapter.

6. Rules Simplification Project–Charitable/Nonprofit Rules

- a) **New Chapter WAC 230-07** - Charitable and nonprofit rules. *(This chapter won't become effective until 01-01-08.)*

Ms. Heston: I did not go through these, rule summary by rule summary, last month and I would like to do that today. Page 4 is the familiar rule about the Director or the Director's designee. Director Day reviewed these rules and decided that these authorities have been delegated by the Director to staff members and he would continue to delegate them. We changed "Director" in each of these rules to "we," "our," or "us" so that it means staff. On page 6 is one of the larger changes in the chapter, which as we were

rewriting the chapter we discovered that in many places we had calendar year, license year, or fiscal year for reporting purposes. We looked at RCW 9.46.0209 and found out that the RCW requires us to use the calendar year of the 12 consecutive month period preceding the date of application for the license or license renewal. We went through and changed a number of our rules from calendar year to license year, from calendar year to license year, and from fiscal year to license year. Currently Assistant Director Trujillo and the Licensing Operations Division are working to adjust renewals to the Charitable/Nonprofit Organizations fiscal years so that the two pair up to cause less problems; so they don't have to prepare two sets of reports.

On page 12, we removed a definition from this rule because it is covered in the next rule and was redundant. On page 16, references obtaining a waiver for significant progress requirements. We changed Section 4 of the rule to ask for a brief adjudicative hearing before an Administrative Law Judge instead of before the Director because we felt it changes who would hold the hearing and the type of hearing that is held. **Chair Ellis:** Brief adjudicative hearing is a term of ours, or a statutory term? **Ms. Heston:** Yes, and in other rules we have referred to it and acronymed it as a BAP. In this rule, we don't use the acronym because it is the only place where it appears. On page 20 is a rule defining excessive reserves and, as we were rewriting it, we discovered that the rule currently says that licensees have to report "cash equivalents or other assets," which staff believe should be "and other assets" to get a more comprehensive picture of their financial standing.

On page 24, we chose to be very clear about the need for licensees to maintain an independent management structure to supervise and operate gambling activities and to do so according with gambling laws and our rules. We very clearly added in the RCW into the new rule. It was implied in the past but it was not stated explicitly. **Chair Ellis:** Do you know what that means in practical terms? **Ms. Heston:** Independent management structure? I think it means they are not related to one another. **Chair Ellis:** Is the idea that they have to have a person within the organization who is responsible for the gambling operation, who is a gambling person, and does not have more general responsibilities within the organization. **Mr. Trujillo:** That is one idea; part of the other idea is to make sure there is an arms-length between officers and managers, so they are not related by a husband/wife. **Ms. Heston:** On page 28 we go further and explicitly define direct relatives. The old rule said "direct relatives, including spouses, parents, children, siblings, and other similar relationships" which is an ambiguous term. So we clarified by taking out the phrase "and other similar relationships" to make it clear about who a direct relative would be and the need to keep a distance in that. Pages 38 and 42 are essentially the same changes and deal with a phrase that was inserted into the old rule "unless we release them from this requirement." The old rules required keeping records for a certain amount of time unless we released them. In practice, staff does not release them from that requirement, so staff decided to take the phrase out.

On page 46, calendar year was changed to fiscal year. To reduce redundancy we removed several phrases and replaced them with the basics tenants of generally accepted accounting principles (GAAP). Also, in Section 7, staff removed the recording of expenses to various functions because it was covered elsewhere in the rules. There was a

contradiction within the rule where one section said \$500,000 and one section said \$300,000 as a limit, so we made them match one another. On page 52, is a removal of a laundry list of items to be included in the Annual Progress Report. We took them out because the Annual Progress Report says what to include so the rule does not need to list it also. Section 18 states that staff may request licensees in certain groups to submit financial statements and other information required by this rule in order to evaluate the organizations qualifications, which documents are not requested. Subsection 9 added the phrase “direct relatives” rather than use a list. Charitable/nonprofit organizations were, in the past, required to use a licensed public accountant, which was changed to independent licensed public accountant so the licensed public accountant is not someone who works for the charitable/nonprofit; they have to go outside their business to find that person. Page 64 is another laundry list that was eliminated because the Annual Progress Report explains what to fill in on the form. On page 68 proposes repealing the limited social card games without obtaining a license rule, because our statutory authority to allow this unlicensed activity was omitted during a recodification of the statute. The law only allows charitable or nonprofit organizations that have a Class H liquor license to conduct card games without a separate card game license. Staff recommends these rules continue for discussion.

Chair Ellis: Apparently there are no questions from members of the Commission. Are there any members of the audience that would like to address these proposed rules for charitable and nonprofit organizations? Apparently not, so these rules will be up for final action at a subsequent meeting.

7. Rules Simplification Project – Bingo Rules

a) New Chapter WAC 230-10

Bingo rules. (*This chapter won't become effective until 01-01-08.*)

Ms. Heston: The first rule change is on page 2 and affects a number of rules. There were several rules in the old rules manual that had different amounts of time for record retention; some said one year, some said two years, some said three years. Basically what we did was roll all of these into one rule that puts everything into bingo daily records. That way the licensees know everything has to be retained for two years. I have been ensured by agents that they have never had to go back further than two years for any investigated organization. Two years is more than enough time to find any inconsistencies and is easier for the licensees because they know exactly when they can destroy records. On page 4 are two rules regarding director delegation. With Director Day, the rules were evaluated and it was decided that staff had been doing these approvals and would continue to do them. The wording was changed to “we may allow” and “we may deny” to mean agency staff. Page 14 adds a new rule defining a bingo game, which clearly labels what a bingo game is because there are so many rules that use that phrase, as opposed to bingo session. On page 18, is a rule that has existed for a long time, buried in the amusement game rules, having to do with the renting of bingo equipment. The rule used to state that a bona fide charitable/nonprofit organization licensee or any of its regular members may rent or otherwise obtain equipment to conduct bingo or amusement games from any person. Historical knowledge of staff showed this was actually about organizations who wanted to rent bingo equipment from tribal

governments or from other non-charitable/nonprofits. Staff did not feel that a member should be able to rent equipment, so the language was changed to allow just the organization as a whole to rent from other charitable/nonprofits, licensees, or tribal governments. It gives the organization permission to possess equipment without owning it and without being licensed because they operate under the \$5,000 limit.

We added number to mean numeral or symbol on the card for the sake of simplicity. Consecutively numbered was changed to sequentially numbered. Consecutively numbered could be the prime numbers where sequentially numbered means 1, 2, 3, 4. On page 26, the requirement for disposable bingo cards to have identification and special stamps was moved from a manufacturer/distributor rule to here. It also combines the requirement for bingo equipment with the disposable bingo card requirements and eliminates the redundancy of having two rules. Page 30, is a repealer. The requirements prohibiting cheating are already contained in the RCW. On page 32, lower volume organizations, like those named in the exceptions are not required to have a bingo manager onsite and special property bingos, which are a very minute group of people, were accidentally left out - no one felt it was intended to require a licensed gambling manager to be onsite during special property bingos. Page 34 adds the RCW explicitly into the rules and laws that workers and supervisors are required to follow – it was implied, but not clear. Page 44 has to do with electronic bingo daubers. In the original definition of electronic bingo daubers, there was an exception that allowed player-owned devices to be used. That exception was removed because there were not any player-owned devices used now and staff could not envision any player-owned devices that would be allowed because of the danger they might present to game integrity. Should someone come up with a device in the future that they feel they can use, the person can go through the rule change process.

On page 48, staff suggests removing a section about electronic bingo card marking devices are deemed to provide a player with a material advantage less operated in accordance with subsection 2. This is also covered in the RCW and is unnecessary in the WAC. Page 52, is a substantive change to player selection bingo card requirements. Player selection cards are self-copying; they are NCR paper. The bingo player writes their numbers on it, tears it off, gives half of it to the bingo operator and takes their card with them. Staff wants the bingo operators to give us an invoice that includes the beginning and the ending card numbers for audit purposes.

Page 58 is three number speed bingo authorized. The change to this rule is clarify what three number speed bingo was. One section said that cards should have less than 25 spaces and another section said that cards should have only three sections – a 3-number speed bingo card has 3 spaces on it and operators use a reduced number of balls. In one place it said not more than 25; in another place it said less than 75. We are also getting rid of the contradictions within this rule. 3-number speed bingo involves the selling of chips, but the chips are just used to mark the three spaces on the card and are later redeemed for their same value. Whoever gets all the spaces marked on their card first gets everybody else's chips. The original rule said that operators had to sell to all players desiring to buy them, but it was felt that infringed on the operators right to refuse service

to anyone. The language was rephrased to say that all chips had to redeem for the amount for which they were sold and the part about having to sell chips to all players was removed. Page 68, was exceptions to other bingo rules for when you are playing 3-number speed bingo. Previously the rule said the audio system had to be fully functional, but it was felt that not only did it have to function, but it also had to be used during the operation of 3-number speed bingo. On page 94, Keno Bingo was removed from bingo rules. The rules were put in place in 1996 and we know of no one who has ever played keno bingo. Even though Keno Bingo was requested by licensees, they were never able to make it work. If someone comes up with a workable Keno Bingo scheme in the future, they can bring forward a rule change proposal to put it back in.

Ms. Heston: Ronnie Strong mentioned at the last meeting that there were some small changes that needed to be made to clarify the rules. Comments that came up during the study session are marked on the green pages and we have made those small changes for the licensees. Staff is requesting that these continue discussion. **Chair Ellis:** So far as you know at this point, based on your conversations with Mr. Strong, Ms. Smith, or others, you have worked out all of the problems and the rules seem to be satisfactory.

Ms. Heston: Well, not quite. We've fixed two of the problems. One of them we will have to wait for housekeeping. We'll just go forward with the rules as they are now and then amend them during the housekeeping session. We have about six housekeeping changes that will have to be made around August. **Chair Ellis:** These rules, like the

other rules in the Rules Simplification Project, are designed to go into effect on January 1, 2008, so there is time to work with them. Are you anticipating, because of the need for this housekeeping process, that these rules will not come up for final action until August?

Ms. Heston: No, we can go ahead with final action on the packet as it is, and then amend the rules that you passed. Most of the changes are small, housekeeping changes.

Chair Ellis: Are there any other questions by members of the Commission about these

rules? **Commissioner Parker:** Are these up for final action next meeting? **Chair Ellis:** I believe so, if the timing is proper. **Director Day:** When we started rules simplification, we set a target date of January 2008. At that time, we commented that in the process staff would be tearing the entire rules out and putting them back together, and that as we got towards the end of the process we may find rules or sections of rules that didn't go back together or need to be corrected. Staff will need to recommend corrections to make sure all the rules are accurate, which is why more changes may need to be made during the clean up of the rules simplification project rules before they actually go into effect. **Ms.**

Heston: Some of the changes are very small for instance an "s" left out in a rule in Chapter 3, which was passed a year ago, or a change to a title. Some involve a rule that accidentally was missed, but most are small changes.

Chair Ellis: Are there any other questions by members of the Commission? Hearing none, are there any members of the audience that would like to address these proposed rules. Once again, no one is stepping forward, so these rules will be on the agenda for final action on the April Meeting.

8. **Other Business/General Discussion/Comments from the Public**

Chair Ellis: Do any members of the Commission have points they would like to make under this item? Are there any members of the audience who wish to make points under this item?

Max Faulkner, Vice President of the Recreational Gaming Association (RGA): Thank you Chair Ellis, Commissioners, and staff. The next meeting is in April in the Tri Cities, and to complete our trio of tours, the RGA has arranged a wine tour, which is going to be on Wednesday evening so it wouldn't interfere with any post-Thursday meeting business. I'll give the agenda to Gail to hand out.

Dolores Chiechi, Executive Director of the Recreational Gaming Association: Thanks Chair, members of the Commission, We are pleased to provide an update to the Commissioners relating to House Bill 1449. It did receive affirmative passage of the House 97 to 0, and we believe in part due to the Commission's support of that bill. We thank you and hopefully it will come out of the Senate as well. **Chair Ellis:** Thank you for that update.

Chris Kealy, speaking today on my own behalf as a citizen: Having been around the Gambling Commission for awhile, I've watched the Tribal presentation on their charitable contributions year after year and I appreciated Commissioner Niemi that the \$5 million dollars looks small when you look at a billion dollar industry. I want to further underscore when I looked at that \$5 million and then I saw the breakdown of 9 percent being tribal programs that is \$500,000 going right back to the same process. In the same presentation, I saw 52 percent going to social services and I would be very inquisitive as to what those social services are. I am reasonably sure, upon investigation you would find more circular reference to the same thing. What we are really seeing is an industry that claims to be 100 percent taxed to it's government and it's still really just a business that dedicates itself to the benefit of that 1.6 percent of the State's population while depriving the rest of the citizens of the tax base that's been in the \$100 to \$300 million dollar range for the same activity. We do know the State's lottery revenue are declining as well as charitable bingo, private card rooms and the pull-tab industry, which further erodes our tax base in this State. The growth and true impact of the Tribal's success in gaming is not being mitigated by the amount that is less than 1 percent of its revenue. The distribution in credible numbers as an actual dividend only further underscores that this is not a 100 percent taxed industry but really is a private monopoly for the benefit of a few. That is my statement; thank you.

Chair Ellis: Are there any other members of the audience that would like to address the Commission on any points? Apparently not. We will now convene an Executive Session to discuss pending investigations, tribal negotiations, and litigation and at the conclusion of that Executive Session, we will resume the public meeting solely for the purposes of adjourning until tomorrow morning at 9:00 a.m. At 3:35 p.m., **Chair Ellis** called for an executive session to discuss pending investigations, tribal negotiations, and litigation. He called the meeting back to order at 5:35 p.m., and immediately adjourned the meeting.

**COMMISSION MEETING
FRIDAY, MARCH 9, 2007
DRAFT MINUTES**

Chair Ellis called for an executive session at 8:30 a.m. **Chair Ellis** apologized for the delay and thanked the audience for their patience and for being here. **Chair Ellis** called the meeting to order at 9:50 a.m. at the Red Lion Hotel located in Olympia. He then introduced the following members and staff present:

MEMBERS PRESENT: **COMMISSIONER JOHN ELLIS, Chair,** Seattle
 COMMISSIONER JANICE NIEMI, Vice Chair, Seattle
 COMMISSIONER ALAN PARKER, Olympia
 COMMISSIONER PEGGY ANN BIERBAUM, Quilcene
 COMMISSIONER KEVEN ROJECKI, Tacoma
 SENATOR MARGARITA PRENTICE, Renton
 REPRESENTATIVE ALEX WOOD, Spokane
 REPRESENTATIVE RICHARD CURTIS, LaCenter

STAFF PRESENT: **RICK DAY,** Director
 SHARON REESE, Deputy Director
 MARK HARRIS, Assistant Director – Field Operations
 DAVE TRUJILLO, Assistant Director – Licensing Operations
 AMY HUNTER, Administrator – Communications & Legal
 JERRY ACKERMAN, Assistant Attorney General
 GAIL GRATE, Acting Executive Assistant

Chair Ellis: I want to give particular welcome this morning to all of the officers and the elders and the members of the Washington Tribes who are involved in the proposed compact amendment that is a major item of our business today, and I should tell you again with regard to our lengthy delay in our Executive Session that as you may be aware the compact amendment has been a matter that came together quite recently and some of the Commissioners have had very little time in order to be able to analyze and put into perspective this very important proposed compact amendment with it's various complexities and to put it into the framework of our policies on gambling in the State. So again, we apologize for having spent that time hashing out some questions and issues but I think in the overall scheme of things that time will prove to have been well spent for all of us. The format for this morning will be for Director Day to make a presentation to the Commissioners and to you on the proposed compact amendment, X2 as it is called, and for tribal representatives to speak about the compact and any members of the public who are present to speak about the compact.

9. Proposed Amendments to Tribal-State Class III Gaming Compacts (Appendix X2)

Director Day: On behalf of agency staff, I would like to welcome everybody to the meeting today. This is a historical opportunity for us to consider the compact amendment before us, and I would like to take a couple of minutes to identify what I understand will be the lead speakers from the Tribes. First will be Brian Cladoosby, the Chair from the

Swinomish Tribe; Frances Charles, from the Lower Elwha Tribe; Ron Allen, from the Jamestown S'Klallam Tribe; Cynthia Iyall, the Chair of the Nisqually Tribe; and Gerald Nicodemus, the Secretary of the Spokane Tribal Council. For future reference, Deputy Director Sharon Reese will be responsible for future direct negotiations. She will step in and assist me with the Tribes as we move forward. What I would like to do now is proceed with a summary presentation of this compact amendment by explaining what documentation you have in your Commission packets. First should be the PowerPoint and a summary of the compacts major provisions. Behind the summary should be an Addendum. I would like just to take a couple of minutes to make sure the Commissioners refer to the Addendum because it is important to know that this compact amendment you are considering today affects 27 sovereign governments: the Chehalis Confederated Tribes, the Confederated Tribes of the Colville Reservation, the Hoh Indian Tribe, the Jamestown S'Klallam Tribe, the Kalispel Tribe of Indians, the Lower Elwha Klallam Tribe, the Lummi Indian Nation, the Makah Nation, the Muckleshoot Indian Tribe, the Nisqually Indian Tribe, the Nooksack Indian Tribe, the Port Gamble S'Klallam Tribe, the Puyallup Tribe of Indians, the Quileute Indian Tribe, the Quinault Nation, the Samish Indian Nation, the Sauk-Suiattle Indian Tribe, the Shoalwater Bay Tribe, the Skokomish Indian Tribe, the Snoqualmie Tribe, the Squaxin Island Tribe, the Stillaguamish Tribe, the Suquamish Tribe, the Tulalip Tribe, the Upper Skagit Tribe, and the Yakama Nation.

Behind the Addendum is what we refer to as a generic cover amendment. For each of the 25 Tribes, if the Commission agrees to forward this compact to the Governor, staff would execute a cover amendment incorporating what we have referred to as Appendix X2, which is essentially a new Appendix X. Next is the Appendix X2, which is approximately 48 pages of material. Behind that should be a separate cover amendment for the Squaxin Island Tribe, which has additional language relative to authorization for the Tribe. Then a separate cover amendment for the Colville Tribes, which covers additional issues to ensure the Tribes' ability to operate according to its primary compact with 4,800 machines and clarifies issues regarding their 0.5 percent charitable contribution. For purposes of public information, copies of Appendix X2 were available as people came in, plus all the information is posted on the Gambling Commission's web site at www.wsgc.wa.gov.

I have shortened the IGRA portion of the presentation because the Commissioners have heard it a number of times, but this is the foundation. The reason we are here considering negotiating Tribal-State Compacts is actually based on federal law, the Indian Gaming Regulatory Act (IGRA), which was passed in 1988, and has a different foundation from much of what we talk about relative to gambling in the state of Washington. Some of those significant points serve the foundation for negotiations. The Tribes, under IGRA, can negotiate or conduct any gambling activity allowed by the State for any purpose and any person. This is substantially different to what we see, which is specifically authorized activities under the RCW, in the state of Washington. It requires the Tribes to conduct casino-style gambling in agreement with the State and a Compact that must be negotiated in good faith. One other item that is significantly different from the statutes of the state of Washington is part of the policy for the federal law is specific direction and is

intended to support the economic development of the Tribes. When we move forward with any consideration or negotiation, we have to keep in mind the federal law and the statutes that the Governor will process in her negotiation. The map shown gives a quick depiction of where the various tribal casinos are located. The Spokane compact which was forwarded to the Governor and signed is not technically in effect until approved and published by the Secretary of the Interior, so the dots on the map depict in red 21 Tribes or 25 casinos. The green dots are the Snoqualmie Tribe and the dots in Eastern Washington are the locations of the present Spokane tribal casinos.

We started this compact process with the first compact that was signed and put into effect in August of 1991; however, at that point machine gambling was not part of those compacts – it was primarily table games. The State now has 27 compacts with 29 recognized Tribes, with 20 Tribes operating 25 casinos. Spokane is not included.

The most significant part of this slide is the last bullet because that is what brings us here today – the Tribal Lottery System (TLS), also known as electronic scratch tickets, machines, and various other references. These machines are based on what has become known as Appendix X, a negotiated document rising out of what was known as a friendly lawsuit back in 1997. Relative to history, we have to recall that after IGRA was passed and went into effect, compacts were being negotiated, but the Tribes had an opposite position from the State. The Tribes at the time requested negotiations for slot machines; the State argued the machines were illegal. Ultimately, the State and the Tribes agreed to take the matter to court and it was referenced as a friendly lawsuit.

The term slot machine negotiations were not required, but the court gave parameters under which such machine gaming could occur. The negotiations came to be known as Appendix X, which put into operation the Tribal Lottery Systems we see today. A lot of people hear discussions about what Appendix X does. It establishes a gaming system that is patterned off of scratch tickets, the State Lottery System, as opposed to what we commonly know as slot machines. Sections 1 through 11 of Appendix X2 deal with specifications on how that game is conducted. A manufacturer of gambling equipment would refer to this document in order to construct these games. The games designed are really a scratch ticket game – an electronic assignment of a number to a ticket. The systems have a manufacturing computer; that manufacturing computer sets up a scratch ticket game set making subsets and sends them on to the central computer. The central computer sends a scratch ticket to the player at the player terminal. The player terminal itself is dumb – from the aspect it doesn't interact directly with the player, but gets the next ticket that is available as it is assigned from the central computer. It is essentially a duplication of a hard scratch ticket game. In this case, you are playing against the other players at the terminals to find the winning ticket, which is already designated in the scratch ticket game sets. It is different from a slot machine type approach. This Appendix X does not change the type of game; it is the same game that has been in existence in this State since the end of the friendly lawsuit in 1988. With the slot machine, a player is attempting to match a designated random winner. The player is actually playing against the game within the machine; against the random number generator process.

The major differences between the original Appendix X and the version that you are looking at today is that Appendix X2 contains 11 sections through page 36 of technical requirements; how the game is conducted. Changes were made to the technical nature, and I am going to focus on identifying the six critical areas where those changes were made, rather than going through every change in the document. One intention was to improve security of the terminals where currency will be inserted. Currency will be allowed to be inserted into this equipment much like we discussed with the Spokane Compact. So, the equipment has to be set up to accommodate currency. Those changes add better reports for better recording and tracking of system activity. They adjust for changes in technology, accepting currency in single touch. They clarify the standards to meet the existing system operation and improve regulatory oversight.

Today, I will spend most of my time discussing items that are in Sections 12 through 15 – the last 12 pages of the document. As a foundation, according to Appendix X, machine numbers or player terminal numbers have limits. Those limits are initial allocation, which started at 425, and after one year the Tribes could go to 675 machines. These agreements are set up on two primary numbers; one is called an allocation, and the other is generally referred to as an authorization. The allocation is sort of a quota – the number of machines that the Tribe has the ability to put into play or to lease that authority to another Tribe. Along with those numbers, the Tribes were authorized to place a maximum of 1,500 player terminals per facility. That is a general requirement – as with anything else, there are always exceptions. What that means is that the Tribes could have a maximum operation at a facility of 1,500 machines, but in order to get to that authorization, they had to lease part of the allocation or quota from another Tribe. If you translate those numbers, there are available in the State 18,225 total machines in that quota or allocation – 27 Tribes times 675 machines.

Later amendments allowed Tribes that had a second facility to have a total of 3,000 player terminals, with up to 2,000 maximum at a single facility. In addition Appendix X requires 0.5 percent contribution for charitable/nonprofit organizations and, as we heard yesterday, those contributions amounted to about \$5.7 million to 941 organizations. A new section in this compact amendment is called community investments or contributions. It could be inclusive of these, but they are not one and the same thing, which has caused some confusion.

This slide depicts what has happened with that original quota of 18,225, showing how many of those machines are in play. It depicts the growth of the number of machines actually in operation at the tribal casinos around this State, which is close to 17,000. This is a central issue to the Tribes in the negotiations and in the discussion about how much gambling occurs in the state of Washington. At this point, it means there are at least 17,000 machines already in play. The Snoqualmie Tribe, who have 675 machines, are planning to open a casino next October, so they are not going to lease machines to another tribe; they need to have those for their availability. That means there are not any machines available for Tribes to add to their casino operation now, even though they may be authorized the 1,500 machine level through their compacts, or the 3,000 machines

between two locations. The primary issue becomes how the State addresses the ability of the Tribes to operate their businesses within the parameters that were negotiated in the original compacts, within those original authorizations.

Appendix X2, which is just a new Appendix X, has been negotiated with the State and 27 of the 29 Tribes. The Spokane Tribe was excluded because their Compact was just approved last month and Appendix X2 is an amendment to existing compacts. The Cowlitz Tribe is recognized, but does not have a compact with us at this point. They are in the process of identifying a location of land, which is a federal process. The idea was that this compact would simultaneously amend the compacts of the Tribes that were referred to in the Addendum, with the minor differences of the Squaxin and Colville Tribes.

Each Tribe would be allocated 975 machines, which would be the equivalent of about 27,300 terminals statewide, up from 18,220. By comparison, the Muckleshoot, Tulalip, and Puyallup Tribes would be able to increase their maximum up to 3,500 player terminals, and after three years could go to 4,000 player terminals. Currently, a single facility limit is at 2,000 and would go up to 2,500. Another change that would be incorporated is that \$20 wagers would be allowed, reflecting a change in the scratch ticket price by the State Lottery for 15 percent of the player terminals. The current limit is a \$5 wager. Another change is that players would be able to activate the machine by inserting currency, instead of just a ticket. Tribes could also determine their own hours, which currently is restricted to 160 hours a week. It also incorporates a moratorium that there would be no negotiations relative to player terminals through June 30, 2009. This provision is designed from the State's perspective to control the possibility that one Tribe could ask for increased numbers or larger numbers ahead of another Tribe, which could ripple through the rest of the Tribes. This was designed to control that along with the provision that requires that all 27 Tribes approve this compact amendment. The Tribes currently provide for a number of contributions or fund a number of projects, from physical infrastructure, to programs, to their own governments, and the economic development of Tribes is one of the foundation reasons.

These slides depicted what is known as the Camas Institute with the Kalispel Tribe, including Behavioral Health, Education, and Career Development Programs. Also reflected there was the totem of the Jamestown S'Klallam Tribe, which was included to convey that the Jamestown S'Klallam Tribe recently established a Jamestown Family Health Clinic that replaced a health clinic in Sequim that closed down. The Jamestown Tribe has been significantly involved in activities such as Stream Saturation with the Jimmy-Come-Lately Creek. One of the slides depicted the Squaxin Island Tribe's Child Development Center. I think a lot of the time people don't realize the amount of these investments. The Child Development Center went up in 2004 and was a \$1.5 million facility, and about half of the children in attendance are non-tribal members. The last slide depicted the Tulalip Tribes' Health Care Center, which has provided specialty services as well as elder health care services. This provision of the compact, which is entitled Community Investment and Contributions, is intended to publicly provide a commitment that the Tribe will continue with these types of investments to their

surrounding community and those programs that will help both tribal and non-tribal members. The Tribes also agreed to document those contributions and to provide information on when the contribution took place, what the program was for, and the amount of those contributions. That report is supposed to be certified and provided annually to provide clear documentation of these kinds of investments.

Commissioner Parker: On that point, the contributions then are in some respects very similar to what a local government would lay out as tax expenditures. Most Tribes don't have a tax base because the property is in trust and can't be taxed, unlike the local governments where the tax base starts with a property tax. You can't do that in a reservation situation because of the trust restrictions on being able to tax. Many commentators have referred to the Tribes allocating revenue from tribally owned enterprises for governmental purposes as being the equivalent of a tax expenditure. They are in effect taxing their own revenues from economic enterprises for governmental services. So would you say then that by agreeing to make a report on those, we are really being able to get a handle on how the Tribes are making expenditures that are equivalent of tax expenditures? **Director Day:** I think what you are describing is that it will provide the kind of report that we probably see through the State Legislature or State Budget that you can see posted all the time. This will provide a similar mechanism that will allow us to be able to see collectively how and where the Tribes put their expenditures over each year. It should provide a clearer picture, and I think we saw these in a number of quotes from the Governor about the difference in this form of gambling and the idea that these contributions need to be better reflected so we all have a better understanding of how much investment is coming from these gambling revenues.

We already talked about the Tribes having to report these contributions annually and I want to make sure that I differentiate between this concept and the 2 percent and the ½ percent. The contributions that are contemplated here are confirmed. Each Tribe is a sovereign government and their primary revenue now in many cases is from gambling. They are making decisions as a sovereign government where to invest that money in various public programs, much like other governments in the state of Washington. This will allow us to see what those investments are and how it moves forward for the entire State. In addition, the Tribes are required to make 2 percent impact payments. The responder requests they are for the local community and they are required to make at least ½ percent of their machine gambling for charitable contributions, which could be included in the total that is reported but is not necessarily the same thing. For instance in the Squaxin Island project or the Kalispel Tribe's projects or resource development of over \$3.5 million, those don't necessarily come through because they aren't reported in the 2 percent and 0.5 percent reports.

This compact amendment would establish a specific contribution to problem gambling, the same amount that was required by the Legislature for non-tribal gambling; although it does not direct it specifically to DASA, it does allow the Tribes to make a decision as long as they are making those contributions to problem gambling prevention and treatment services. In addition, it also establishes a new provision to provide contributions toward smoking cessation activities. I think it's important to put this

compact amendment into perspective with what is going on statewide. The current quota of machines is 18,225; with this amendment that number would move to 27,300 with all Tribes. When these compacts were first entered into we were talking about 39,000 for those Tribes that currently have casinos – that is existing compact text. That can be changed as the compacts move on. This is the approximate figure of the maximum that could be placed, giving you a perspective of the current quota, the quota that would be established as opposed to what that would be if every Tribe operated at their maximum, and I think it gives you a better idea of what we are talking about here.

We need to briefly revisit some of the considerations the Governor felt were important. One of those was to honor the commitments the State made in prior compacts: the ability to authorize and also to comply with federal law; economic development and the intent of good faith negotiation. With the fundamental goal of supporting economical development of all Tribes, adjustments might be necessary as time wears on, as populations increase, and the Tribes progress with their modernization and their businesses. One reason why we need to see the community investment and contributions is the Tribes need to commit to continuing to do their best in those programs, as well as better describe and document those contributions, and have a clear commitment to prevention and problem gambling.

Hopefully you will have seen that the compact essentially fulfills every one of those bullets as described by the Governor. What Appendix X does, besides the concept of the numbers, is clearly commit the Tribes to ongoing funding to reduce problem gambling and support smoking cessation. It continues the Tribes' commitments to invest in health and welfare of the communities. At the same time it continues to recognize the sovereign status of the Tribes' governments. It clearly strengthens regulatory specifications and I talked briefly about those and summarized them for you in six bullets rather than taking you through each one of those changes but it also supports continued revenue sharing between the Tribes. What we have seen, and part of the success of this system, is those Tribes that have better access to gambling markets in more urban areas because of the requirement to lease from other Tribes in order to increase the size of their establishment, has resulted in a significant benefit for smaller or more rural Tribes, like the Makah Tribe, that are not in a position to have a casino operation. It also limits the opportunity for increased gambling activities, in part because it requires all Tribes to approve the amendment.

Another specific difference with this compact is that all 27 Tribes must agree to the appendix before it becomes effective. All signed appendices from the Tribes have to be forwarded to the Department of Interior and must be published (approved) in the Federal Register before this compact amendment would be effective for any Tribe. Because this is a Legislative Session, the days are extended, which means the Legislature had 45 days to hold a hearing from the notice date. We sent the notices out from the Commission on the 28th of February. The Legislature held the required hearing yesterday. The Commission essentially has 60 days to consider and has to act within that 60 days. You are holding a public hearing today, but that does not mean it has to be the only hearing you hold. You have to decide within that 60 days whether to forward the document or

the agreements to the Governor for signature or to return them to me for further negotiation. The Governor has final review authority and the Tribes have to forward the signed documents to the Secretary of Interior. As we proceed with any negotiations, there are a number of decision makers involved in this process: the Tribal Chairs have to be on board with the negotiated document, the Commissioners, the Governor, and the Secretary of the Interior. So the negotiation is an attempt to keep parties involved to the best of our ability, to conclude a document that may not be everything that everybody wanted but is at least something people feel has a substantial benefit for this State and for the Tribes.

In the end, staff recommends that, once all 27 Tribes have approved and signed the amendment, the documents be forwarded to the Governor for final review and execution.

There are a couple of public comments in your documents, including one email with additional follow-up email. Also, for the record, we have been advised that the Chief of the Civil Division from the Kitsap County Commission has called to request that the Commission extend the public comment period on this application. Deputy Director Reese was going to attempt to get clarification on their reasons. At this point it was only a call into our offices. **Deputy Director Reese:** I'll be calling back at 11:00 to clarify, but the call was on behalf of the Sheriff. I advised the Chairman of the details and I'll check back at 11:00 and, hopefully, have more information before the hearing portion closes.

Chair Ellis: Do any members of the Commission have questions? Apparently not.

Brian Cladoosby, Chairman of Swinomish Tribe in beautiful LaConner in Skagit County: Thank you Mr. Chairman for allowing me to be here today in your meeting room to be able to testify on behalf of this very important piece of work that we have been doing here. I know you have an opportunity to go up there every once in awhile and come to our homeland. And it's a pleasure to be here to testify in support of this new amendment to our gaming compacts. Just a little background, I have been the Chairman of the Swinomish Tribe for ten years. I have been on our council for 22 years and I am also privileged and honored to represent to you today as the President of the Association of Washington Tribes and we have some fantastic tribal leaders in Washington State and I am honored, it is truly an honor to work with all of them. And at this point, I would like all the elected officials from the various Tribes that are in the room to stand up so that you can see who is here today representing the various Tribes across the State. **Chair Ellis:** Thank you all for coming. **Chair Cladoosby:** I thank you Chairman Ellis, you have heard my presentation yesterday and I know some of the others have too. **Chair Ellis:** As I said a few minutes ago, it was very good yesterday and I know it is going to be better today. **Chair Cladoosby:** I am not as rushed, I thank God that Rick wasn't getting pushed by the Chairman today like he was yesterday. Good presentation Rick. Well, most of the tribal members in the room today grew up on reservations. The largest and in many cases the only employer in Indian country growing up was the tribal government. And most of our Tribes provided only basic services and limited employment opportunities.

If you look over the past two three four decades and if you analyze the unemployment rate in Indian country you would be shocked. You would still be shocked today because some of the numbers are still up in the 20s, 30s, 40s, but you know 20, 30, 40 years ago it was 70, 80, 90 percent unemployment rate, and so it was a tragedy. And I just want you to know that I am no fan of gaming. My family has been touched by the dangers of addiction to gambling but tribal government gaming has been the first economic development program to ever work in Indian country. The United States never had a marshal plan. The marshal plan I believe in Indian country was welfare and that is a failed policy, in my mind. Indian people have always been hard working and proud people. Welfare tried to take away our pride, our motivation, and our dignity. I would just like to make it known that gaming is our tax base. Today the economic development boom in Indian country brought on by gaming is nothing short of a miracle. Not only has the range of services provided by our governments increased dramatically but we are also major employers and economic contributors to our local communities.

As you know, if any of you had the opportunity to visit Indian country in the last couple of years, you would notice that we do not have the basic services that Anacortes, Mt. Vernon, Burlington, or Sedro Woolley has in Skagit County. If you ever visit Swinomish, we don't have the Safeways, we don't have the Burger Kings, we don't have the Bank of Americas, and we don't have the Olive Gardens. We go outside of our reservations for those services, so you all are aware of how recycling dollars in your community is important. All the dollars that we generate at Swinomish goes out into the local communities in our surrounding areas and some people think that we have this tax free card that we bring, we go to Olive Garden and present it and we don't have to pay State taxes, that is not true. People have actually asked me whether tribal members have to pay taxes when they go off reservation; yes we do. I come down here and stay in this beautiful facility right here; guess what, I have to pay the motel tax just like you do. So it's important to recognize that the money generated in Indian country, the majority of it goes off our reservations. Some of us are building infrastructure, building facilities where we can keep some of that money in Indian country, but the most of it goes into our local communities in our surrounding areas.

When I first joined our Senate two decades ago, we didn't have a lot. We had to ask our staff to cut back on their hours or take leave without pay in order to keep the doors open and my predecessor and a man who I dearly respect Will Walton, Chairman Robert Joe Senior actually turned back his paycheck as the Chairman in order to keep the lights on. That's how dedicated he was to our Tribe. And you will hear the same stories across the State about the budget crunches that our Tribes faced just a decade, two decades ago. Today it's hard to believe that we manage budgets approaching \$40 million dollars and that might be minimal. You've seen the article in the Sunday paper and you've seen the chart of how many machines are at each casino, you'll see that Swinomish has the lowest amount of machines on the floor of any casino. But this money that we generate is important it is very important to us.

We have almost \$25 million dollars in capital projects planned or underway and you can hear the same story from many tribal leaders if they have the opportunity to come up here and share with you the things that they are doing. And that \$25 million dollar capital projects are monies spent on contractors within our State, the Swinomish Tribe doesn't have that infrastructure to do these projects and so that is another way we are helping our communities out by providing employment for these construction workers who are building these fabulous projects that we have. The Swinomish Tribe has over 500 employees now and I thank God that I am in a position where I don't have to turn back my paycheck like my predecessor did. Eight years ago when we began the experiment that became known as Appendix X to our gaming compacts none of us really knew what to expect. Both the State and the Tribes did our best to conduct a system that would ensure fair and restrained gaming throughout Washington. Our system also made Washington unique in the country by ensuring that those Tribes whose locations did not allow them to take full advantage of their benefits of their right to conduct gaming derived some benefit from the more geographically fortunate Tribes and that is the revenue sharing provisions that we have in our compact.

Our people have always been open when the non-Indians first came into our area we opened them with opened arms and as we got into this gaming we recognized that the whole Tribe or the Suak-Suiattle Tribe, or the Makah Tribe, or the Lower Elwha Tribe, or the Samish Tribe would not have the geographical locations to build the infrastructure needed to operate a casino because of the customer base that they had. And so the Appendix X that we originally signed ensured that those smaller Tribes benefited from the agreement and they will continue to benefit under X2 and it has been a wonderful program for those smaller Tribes. Some of them might be in your area. We should all be proud of the results. The Tribes are doing more in their areas and providing more jobs and governmental services than I think any of us could have imagined. The State can say with confidence that Tribal Gaming provides quality entertainment to our customers in a highly regulated environment.

Public polling consistently shows that Washingtonians like the restrained gaming environment here and that they appreciate the new opportunities that gaming has brought to the tribal communities. After 8 years it was time to look back on what we did and what needed to be changed. Tribes came to the Governor and Gaming Commission with ideas. The State agreed with some of our proposals and did not agree with others. Any of you who have had the opportunity to negotiate with Governor Gregoire on anything know that she is a tough negotiator but that she is also fair. The Tribes did not get everything we wanted unfortunately. Negotiations always involve give and take as you know. The agreement we reached, however, is good for the State of Washington and our discussions were conducted in a spirit of great mutual respect. Just as in the Spokane compact that you approved last month Appendix X2, 27 Tribes agreed to formalize our historic support for problem gambling treatment. We agreed to make contributions to smoking cessation and prevention programs. And we have agreed to document the services and benefits our operations make to our local communities. We accepted a very modest increase in the number of tribal lottery system machines and brought out machine operations into accord with the methods now used with the State Lottery. I just want to

point out, as I said earlier, Swinomish Tribe currently has under 400 machines on its floor. Under the original compact we signed with the State, we are allowed to operate up to 2,000 machines. That is a point that you need to think about. There is no way in our location that we would be able to operate 2,000 machines, and it is probably safe to say that going to 975, you still probably won't see the Swinomish Tribe jumping on board and putting 975 machines in our locations. The markets have pretty much stabilized, and some of the Tribes do need a modest increase, but with Tribes in the rural locations like the Swinomish, you won't see a big difference from what you are seeing today in the gaming market at Swinomish. These small changes represent a big victory for which all of us should feel proud. 27 tribal governments came together around one set of revisions to our compacts. The State negotiated fairly and satisfied the principal of restraint that underlines its gaming policy. The public will continue to enjoy the same successful gaming environments we have created together in the overall presence of gaming in the State will not change as I have indicated. You will not see Tribes trying to go off reservations to you know open locations away from their reservations and that is also another point. The number of Tribes that are in gaming right now are what you are going to see in the future.

Finally, I encourage all of you to invite Tribes in your areas where you live, witness first hand the miracles that are happening in Indian country. If you have an opportunity to come to Swinomish, come and see our multi-million dollar medical center, dental center. Our brand new \$3 million dollar Youth Center that we just opened for our children; our day care, brand new day care. Come and visit our brand new Head Start. Come and visit our seniors at our new Senior Center. These were all made possible, not by Federal or State dollars; these were made available by tax dollars that came from our casino. Our casino is our tax base. We are right now doing a \$7.5 million dollar plant unit development, homes for our tribal members, homes that will be occupied by the end of the year. Not HUD Federal Government dollars, tax dollars that come from our gaming operation. So I encourage you, go into Indian country; see the wonderful things that are happening because of gaming. With your support and the continued blessings of the creator we'll continue to have successful projects in Indian country in the future. Thank you very much.

Chair Ellis: Do any members of the Commission have questions of Chair Cladoosby?

Representative Curtis: You talk a lot about the benefits that you are providing, but what kind of a reduction have we seen in the government funding that is provided to your Tribe? I'm sure you have kept some sort of records over the amount that was provided in the past and what is provided now based on the improvements that you are making.

Chair Cladoosby: The Tribes made many sacrifices in 1855 when we ceded millions of acres, from LaCenter up to Bellingham to East to West. You know we made many, many sacrifices in the treaty that we signed in 1855. And with that came promises from the federal government. Promises that were broken immediately and so the money that we receive from the federal government we will continue to apply for. Don't get me wrong, we still have a lot of needs in Indian country and the money that is available from the

federal government we'll still continue to apply for grants that are available to Tribes. And as far as whether the grants have increased or decreased, I don't have that number in front of me. But if there are grants available, and if governments are allowed to apply for it, we are going to apply for it.

Commissioner Parker: Representative Curtis asked a good question, and I just wanted to add for the information of the other Commissioners here that our research institute at Evergreen College did a study several years ago to analyze the amount of tax revenues generated to the State of Washington from expenditures by Tribes and their various enterprises and their employees who work at tribal enterprises and compared that to the amount of tax dollars that were appropriated by the legislature to provide services to these tribal communities and this was based on I think 2001 dollars and at that time we documented that under a method that the Department of Revenue agreed with, in terms of our analysis the tribal contribution to the State Treasury was in the neighborhood of \$150 million dollars and that the amount of expenditures by the State for serving a tribal communities was in the neighborhood of \$15 million dollars. So I think that probably continues to be fairly much the kind of relationship that exists between State outlays to serve tribal communities as compared to State revenue that is generated as a result of the Tribes economic activities.

Chair Cladoosby: I think the analysis that needs to be done is what impact has Tribes had on the State budget. When we opened gaming we had 50/60 percent of our tribal members on welfare; receiving money from the State. And if we surveyed every one of our employees on Indian country that have a job, Indian and non-Indian 80 percent of our employees at Swinomish are non-Indian. 20 percent are tribal and 80 percent are non-Indian and if you did a survey of those individuals and asked them how many of you were receiving State assistance before you got this job, I think that is another analysis. A reverse analysis has to be done to show how many people were on welfare and now are able to work in Indian country and reverse the State's welfare roles. I think that you would see that it would be significant.

Representative Wood: You mentioned capital projects and I just finished my capital request in the Legislature. I am on the transportation committee and the bonding authority. What kind of bonding authority do tribal governments have? According to Commissioner Parker, you are more restricted than we are. **Chair Cladoosby:** I think I have an attorney in the room that could help you with the bonding question.

Ron Allen, Chair of Jamestown S'Klallam Tribe: The Tribes have authority to issue tax-exempt bonds under the Tribal Government Tax Act. It was approved back in 1982. The problem that the Tribes are having in using that tax, government status act is in issuing those bonds is the IRS is narrowly determining what our essential governmental service is. Unfortunately it is severely restricting what we can use those monies for. For example, if we issue a \$3 million dollar bond for infrastructure for our total operation, if a casino is anywhere nearby or attached to it, it is eliminated. So unfortunately it has been narrowly defined. We are trying to get it amended to where it is an opportunity to us for essential governmental functions, as well as economic functions, like any municipality or

county government or state government, we don't have the same liberties and discretions. We are trying to fix that problem, but it's an obstacle for us to date.

Commissioner Parker: Chairman Cladoosby, to your knowledge has there ever been an agreement where all of the Tribes in Washington State, I know you don't have absolutely all but 27 out of 29 is pretty significant, has there ever been such an agreement before in your recollection of the history of tribal affairs? **Chair Cladoosby:** I believe with Appendix X all the Tribes were on board with that but X2, yes this was very historic. If you had the opportunities to be a fly on the wall and heard some of those negotiations going on amongst 26 different Tribes, yes it was fun; and then bringing the State on board it became even more fun. But you need to understand that, if you have to do this times 27, how time consuming that would be. So it is very important to note that 27 tribal governments coming together as one is huge, and I applaud my brothers and sisters in Indian country for being able to do this and for the State for being able to negotiate in such good faith with us. We're not in court.

Chair Ellis: The Commission would certainly join in that applaud. We recognize what it must have taken to bring all 27 Tribes together and agree on a single document.

Frances Charles, Chairwoman for the Lower Elwha Tribe: I thank Chairman Ellis, as well as Commissioner Parker and Senator Prentice and the other Commissioners. Present with me, I have our council members Phil Charles, who is Vice Chair; Verna Henderson, the Secretary/Treasurer; Dennis Sullivan and Russ Hepfer for Council Members. Again, I thank the committee here for the endurance of listening to the tribal needs; the uniqueness of each Tribe. I would also like to thank my friends and relatives of the other nations that stand before us on behalf of our ancestors, the tribal elders, the veterans, and our youth and community of which we are a Point-No-Point Treaty Tribe, and the children of Chewechan Village and other ancestral grounds. We are here in the spirit of the Centennial Accord; we are here to offer our support of the Appendix X from the perspective of a leasing Tribe. We don't own a casino, but we continue to lease our machines to the other Tribes. We are here to support our brothers and sisters with all Tribes in Washington; big, small, urban, or rural. Indian gaming in Washington benefits all Tribes. It benefits those Tribes with casinos, as well as those Tribes who do not operate a casino. Indian gaming also benefits our non-Indian neighbors. Appendix X2 advances the fundamentals of sharing the benefits of gaming with rural tribes, cities, and counties; and we live in Clallam County.

We have a small land base that is off the reservation or off the beaten path of the reservation, which is in a flood plain zone. We do not operate a casino, but we lease all of our allocation rights to other Tribes with casinos. We use our leasing monies to provide the basic governmental services to our people and to our non-neighbors and the other non-tribal neighbors. For example, we recently opened a health clinic that serves both tribal and non-tribal members in Clallam and Jefferson Counties and we are recently in a joint venture for an operation of serving not only our tribal veterans but other veterans. We are working to restore the Elwha River and the fish habitat with the Elwha Dam Project coming out in January of 2009. We are also working to bring peace to the

Chewechan. We are working with local, state, and federal leaders to bring re-burial for our ancestors. We will join hands with our non-tribal members to celebrate Chewechan Village as a cemetery of the National Historic significance. We use our leasing money to help with those efforts to strengthen our government to protect our culture and to better our community.

We acknowledge Governor Gregoire for her commitment to preserving the benefits for leasing Tribes in rural communities through Appendix X2. We will look forward to continue to work with this State and all Tribes to ensure the prosperity of the Indian gaming is shared statewide. Our goals are for the prevention of our youths, the concerns that all nations as well as yourselves have; the drugs, the meth. There is concern for being able to educate the uses of how we can do preventions within our communities. Elders were able to use the assistance and other ways that state or federal dollars do not prohibit. The usage, as an example, provides the handicapped ramps for some of the homes and provides veteran services whether it is medicines, bringing them to Seattle, giving them foods, or helping them assist with their rents. And one great need for not only our community but communities surrounding us is a nursing home that will better serve and take care of our elders; another is to unify with the cultures and to help continue on with their spirits.

Economic development, we spend our dollars in the Port Angeles area, by shopping at Safeway and Albertsons and Wal-Mart when I get a chance. When we have to develop a concern of the supplies that we use when we do development in Elwha, we provide services to the local lumberyards for the housing developments. We really encourage our programs and our departments to buy locally rather than to go outside of our area. And as Brian had indicated, and I echo what Brian says, what Ron is going to indicate on here that we would encourage and invite each member of this Commission to visit the reservations and see the betterments that this has provided. Being on council for 13 years, like I have been, I have seen the struggles that my people have gone through. I have seen the cries of the children because they were hungry. I have seen the changes of the betterment that this has provided for the lack of the resources that have been out there. So I really encourage each one of you to take the time and the opportunity to visit the reservations and see for yourself how this has provided the economics to our people. With that, I say compliments and thank you. I'd like to introduce Ron Allen, not only a great leader for all the Nations in the United States but also for Washington State and also a lawyer in training today.

Ron Allen, Chairman for Jamestown S'Klallam Tribe: It is a privilege and an honor to testify before you and the Commissioners on this proposed amendment. I am currently the president of the Washington Association of Gaming Tribes, and I am here to add to Rick's presentation. He did a fabulous job giving the overview and the details of what the negotiations were about and the importance of it, both to the State and to the Tribes. And Brian and Frances, without a doubt, covered a lot of key details in terms of the importance of this compact and the amendments and the opportunities to our communities as a Tribe.

I have been around for quite awhile. I have been the Chair of my Tribe for 30 years and I was there with Alan Parker when he served on the Senate when IGRA was passed in 1988. The gaming industry is an interesting industry throughout the United States. But when it all of a sudden penetrated Indian country it was a new venue, a venue of which there was a lot of uncertainty across the United States. What is the need? What does this gaming industry bring to our society? There was a lot of uncertainty about the gaming industry and they had their images as well. But one of the key points is the concern about public safety, the integrity of the games, and the public confidence that these games, these operations, are run well, that there is no mischief, no crime, and no unseemly element that surrounded it that would be a concern to our community. And I think that what we have here in Washington State is an outstanding partnership. We have basically 15 years of positive experience between the Tribes and your Commission and your Agency led by Rick. The success that we have in terms of ensuring the integrity of our operations is phenomenal and I think it is a model across the United States and a lot of States look to Washington in terms of how we are conducting our affairs and how we inter-relate. The integrity of the game is well managed and when you think about how extensively we're regulated from the tribal to the State level to the Federal level, we are more regulated than any other gaming industry, bar none. Nevada, New Jersey, Louisiana, you can't get a more extensive regulatory oversight on the integrity of the game.

Brian touched on a number of points; this negotiation was an interesting one without a doubt. They all are and they always will be. The issue really is, it's not an issue of do you want to come back to every Tribe, it's how often to you want to come back. So we negotiated a compact nine years ago that basically said ok we are going to change the way we are doing things from the earlier negotiations in the early 90s and that dealt with the lottery game. Now after nine years we learned a lot and we've grown a lot so things have changed. We've relaxed a little bit in terms of how the operation should be run so we were due for basically what I call housekeeping for our situation and for the provision that thought through a little further and a little bit more long term with a couple of new Tribes coming on board and a few Tribes that are now expanding their operation, very modestly I might say but they are extending more into the hospitality industry if you observe what is going on and that is not the gaming industry it is an additional industry that compliments our economy and our society and new kinds of employment opportunities for our people. And the machines, basically we leveraged them. For those of you who don't know the game industry that well, you leverage the type of revenue you would generate off of them in terms of widening the financing in order for these ventures. So the end result is what Brian and Frances talked about in terms of the kinds of assistances we are providing our community that had gone unmet for decades upon decades.

One of you asked about the resources that we have available to us in the federal government or even the state government, etc. There are always challenges. I can assure you that if you absolutely look at the constant value dollar of the federal dollars, and you know as well as we do that their dollars are actually diminishing. It may look like it's going up, but it is actually going down. Medicaid is a great example. Where we are

faced coming up to widen those types of services and so a great deal of our resources deal with youth programs like Brian was talking about or elder or cultural programs like Frances was talking about but it is also dealing with the point of our needs of our community that all of our community needs. One of the things that I want to note about the Tribes is that we feel we are very gracious partners in our community, so when you look at the things we are doing we are doing it together in partnership. It wouldn't matter if it was natural resources, health care operations, or jurisdictional matters that are important like fire stations and police and sheriff's departments working jointly to fight meth problems in our communities. Those are the end results that don't just benefit our community but benefit the community at large, which is why this becomes a win-win proposition. The issue is, is this something that we should be alarmed by? I would point out that if you would observe how we're growing, given that you agree and you approve the amendment, you're not going to see a significant change in our operation. You wouldn't, by the naked eye, be able to note it. You are not going to be able to see what would happen. The difference you may see is at a couple of our operations you may see a hotel pop up next to the facility or you may see a new health clinic or a new fire department. Those are the type things you are going to see. But in terms of gaming operations, it is not going to change substantially.

We all know that the Snoqualmie is a couple of years out and the Cowlitz is a couple of years out before they even get there. What we would like to do is have a canopy that allows them for the Spokane Tribe to be able to make adjustments and not have to keep coming back here and re-negotiate and adjusting. So we are trying to think further out, not just every couple of years and that is probably one of the primary approaches. So we're trying to turn this into a win-win proposition an opportunity for new revenues for the non-gaming Tribes, like the Lower Elwha Tribe for example and turn this into a win-win proposition. We know the Governor has her concerns about control elements with regard to the industry in Washington State, we concur and that is as Brian said we found a common ground and we feel that it is a win-win kind of a proposition for both of us.

The problem gambling and smoking cessation issues, we have a mutual interest on that topic those are issues we say ok that's fine we should contribute to that. And I want to close with a couple of comments. There is lots of things to be said about the value and the merits of this agreement and package that we want to move forward is the point I made earlier, the kind of contributions we made to our community are phenomenal and that is why we concur with the Governor. We need to give you an annual report about what we are doing because we are doing good things for our community and for the community at large and people don't see that. When you look at the 2 percent and the ½ percent, the numbers that we are putting out there are actually way beyond that. We've blown right by that. We negotiated a number because we are being negotiated. We are looking after our government. Brian said this is our tax base. Is it a tax? Yes tax 100 percent because it goes into our governmental services. We are easily putting that money out there for those various community and charitable purposes and people come to us. They don't hesitate. Just like Bill Gates they are going to go after him. Well they come after us in our respected little communities. We very generously put that money out there

to the benefit of our community for in each of our Indian country that we are sharing in this opportunity with the county and the State.

We issued a report recently; we hired an economist to conduct an analysis of the positive impact on the tax base for the Washington State. Clearly, this is a gaming industry. We are intercepting an industry that wants to go to Reno or elsewhere in gaming. So we are intercepting it and keeping it in this State but in the end when Rick has got a number that shows that the number of gaming industry and the Tribe is \$1.2 billion, we believe firmly that 2/3 of that is actually in salaries, in vendors, services etc. and they are all taxed. They all buy homes, they all buy cars, they all buy clothes which are in the tax base, so in the end the actual enhanced revenue generation from the State and local government would be in the hundreds of millions of dollars. Thank you Chairman. **Chair Ellis:** I believe we are talking about the same study that was referred to at the conference we both spoke at in December, which I believe is posted on the Association's website. **Chairman Allen:** Yes it is. With all those facts and figures, I think it would be very good information for those who want the record set. Thank you.

Chair Ellis: Do any members of the Commission have questions of Chairman Allen?
Chair Ellis called a recess at 11:10 a.m., reconvening the meeting at 11:20 a.m.

Cynthia Iyall, Chairman for the Nisqually Indian Tribe: I wish to thank the Gambling Commission, the Governor, and all of the Tribes that are here today that have come to Medicine Creek to help us make it through this meeting and achieve a common goal that we have been working on for quite some time; approximately 14 months. I am hoping that this ends with a positive note today. I am not here by myself; I am here with several other Nisqually women who are leaders: our Vice Chairman, Marlene Mercado, and former chairman and current treasurer, Stephanie Scott. We have some young Nisqually women, who are leaders within our casino enterprise, that include Leslie Farer our legal secretary; two casino managers, Chebo Frazier and Jill McCloud, as well as our secretary to the general manager, Angelina Farr, who you might see on King 5 News tonight. We encourage you to watch that because they are focusing on some of the direct benefits that we are able to extend to our tribal members. We really appreciate all the many months that these tribal members have worked together to come to what we have before the Commission today.

The Nisqually Tribe is not a large Tribe, in either terms of membership or our land base. We have approximately 600 members; however, we do have many responsibilities as tribal leaders. Like all the tribes here in this State, we are stewards to our river, Puget Sound, the forests, and the prairies. Our traditional name, Squally-Abasch, means people of the river; people of the grass country; hence that is what we are here for. This new gaming compact will help our Tribes work toward keeping our environment healthy; work that benefits all of the citizens of this State, not just ourselves. Many of the projects that we have done on the Nisqually River have been nationally recognized and rewarded and we are extending that out into Puget Sound with specific programs where we are training our tribal members to go out and clean up Puget Sound and free it from marine debris.

Casinos are helping Indian people today recover from horrible social problems that we have had. This new compact that we have will continue to slow that rise. The Nisqually Tribe is planning new housing and a new youth facility, which I am very excited about, and increased educational opportunities for our youth such as scholarships, tutoring, computer labs, and very much needed and loved cultural training. These plans were only dreams a few years ago, but now with this new compact in place our youth are more likely to achieve their dreams and goals because we are better able to provide them with things non-Indian communities have taken for granted. We are close to Olympia, but I am going to extend the invitation to all of you to come out to our reservation and take a look at what we are doing. I know many of you have driven through there for years and really have not seen a whole lot; you have seen the baseball field that has sat there for quite some time. The gaming dollars that we have received, have afforded us as a tribal council to just less than a month ago be able to put money out to over 40 new programs, which includes our Youth Center and a down payment assistance program for our tribal members to put their families in new homes. That is just a small sampling, but you can see a lot of positive things that come from our gaming.

The incremental increases found in this new compact will have a positive impact to our tribal communities that can not be measured in terms of numbers or machines. Gaming in Indian country is about providing means to helping our communities and Nisqually has a very supportive, very close community that really comments and communicates to our tribal council on a daily basis. We want to grow, we want to thrive, we want to support our elders, we want to support our youth and gaming allows us to literally do that and really get out and touch deeply into our community. So it is not about gross profits and losses today, this new compact represents opportunity and hope for all of our communities. So thank you again. I really appreciate your time and your work on our compacts, and I will try to answer any questions for you. Thank you very much.

Chair Ellis: Are there any questions of Chairwoman Iyall? Apparently not, thank you.

Representative Prentice: Mr. Chair, if we don't vote within the next few minutes, I am going to have to leave to get back to session in Olympia. I'd like for us to be able to make a decision once and for all before leaving. **Chair Ellis:** I think we are coming to the end of the tribal representatives who were planning on speaking including we have Mr. Nicodemus before us.

Gerald Nicodemus, Secretary of the Spokane Tribal Council: Chairman Ellis, Commissioners, it is an honor to stand in front of you 28 days after the Spokane Compact was approved by the same body. On behalf of the Spokane Tribe, I am here actually just to offer our support towards the compact amendment; we hope you pass it. I want to acknowledge all of the hard work that the tribal leaders have done to get this document before you. Indirectly, we were involved during the WIGA negotiations, watching all the hard work they did in reaching a compromise for these 27 Tribes, which was really impressive to see that done. I want to publicly acknowledge the Skokomish Tribe, the Lower Elwha, Clallam, Sauk-Suiattle, Hoh, and the Samish Tribes, who were extensively involved in our negotiations by giving us direction and insight into the non-gaming tribes

and some of the problems and issues they have. They helped us immensely in getting our compact through this body. In closing, I want to offer full support; I hope this passes today, and I think it is a good compact that is in front of you. Thanks very much.

Chair Ellis: Are there any other speakers who would like to address the Commission on the proposed compact? I should mention for the record that Deputy Director Reese was able to talk to the Sheriff of Kitsap County a few minutes ago regarding the concerns they had. I think in one instance there was a misunderstanding of a provision of the compact that Sharon was able to clarify satisfactorily, and other issues that can be dealt with down the road, which does not require any delay on our vote today. Since no one else has stepped forward, we will close the public hearing and the floor is open for a motion concerning the compact.

Senator Prentice: I move that the Gambling Commission recommend to the Governor that she approve the proposed compact amendments. **Representative Wood:** Second. **Chair Ellis:** It's been moved and seconded that the Commission transmit the compact amendments to the Governor with a recommendation that the Governor execute the amendments. Is there any discussion?

Representative Curtis: I would like to just say that I thank the Tribes coming together with this precedent-setting 27 Tribe compact and its reduction of several meetings that we would probably have had to have negotiating with each Tribe without this. I would also like to thank them for all the things they do for the community. I've heard a lot today about what the tribes do for the community, and I know that in many cases it is hard to quantify. In our small town of LaCenter, when I was a city councilman there, I dealt with card rooms. They did a lot for our community and also had a hard time quantifying it. They ultimately set up a fund to be quantified and to give back to the community so they could show what they were giving out in a quantifiable fashion. I would also like to commend Chairwoman Charles from the Elwha Tribe on the donations and many good things that the Tribe is doing. One of them was donating to the veterans; I hope you set a good example for our federal government who seems to have forgotten our veterans. I am not going to vote for this compact today. I represent the caucus, and I am here to do that. I believe that we should have revenue sharing. I know you give a lot, but I think that revenue sharing shows to the general public the quantifiable amount that is given back to the communities. I think we have a couple of Tribes that have spoken to me about revenue sharing and maybe some voluntary revenue sharing options. I do think it is something that we will ultimately have a discussion on. Hopefully, we will be able to have a positive discussion and try to meet both of our needs in allowing for revenue sharing. We are the only state that I know of that does not have any revenue sharing and the citizens of Washington State, in many cases, consider that to be not in the best interest of the State. So, until we get that, I am probably going to vote no on compacts. I am hopeful that we will be able to meet and negotiate the revenue sharing and so both of us can derive benefits out of it. Thanks again for putting this together in one compact.

Commissioner Bierbaum: I am going to vote against the compact, but not because I disagree with the substantive merits. I was the one who was unhappy with the process in

terms of the ability for other members of the public to comment on this. It all happened so fast that I don't believe we have had sufficient public comment to feel good about taking a positive or negative vote on the compact at this point. I only saw the provisions of the compact about seven days ago and certainly have not had enough time, in my opinion, to think about it myself and to get input from others in my community or from other members of the public to really weigh the pros and cons of this compact. I voted in favor of the Spokane Compact because we had an enormous amount of time to think about it. There was a lot of discussion and we were kept informed every step of the way, so I felt I could make a good decision. I am voting against the compact, not because I think it's good or bad, simply because I have opposition to the process by which we are making this decision.

Commissioner Niemi: I am also going to be voting against the compact. I do appreciate all the things the Tribes have done, large and small, with the money that has come from gambling. I think its time has come; we are almost to 18,000 machines and we would have to open this up and expand the number of machines. I probably would not have liked to have opened it up that much, going from 675 to 975 for each Tribe, but by and large I think it is a very good compact. It is really amazing that all the Tribes have come together and done this. It has certainly been far better for us than if we would have had to do these individually, and it is clear it came up because a number of machines had to be increased. There was also a point made by the Commissioners last night when we were discussing the compact that the Tribes are putting the money they are making back into the Tribes. There are some shareholders, obviously, who are getting money from the tribal machines, but basically I believe that because the Commission and the Tribes are working together, this is a pretty honest and fair way to spend gaming money and it helps the community. The big problem to me, obviously, is revenue sharing. The first Compact with the Spokane Tribe included revenue sharing on an adjusted basis to the Governor. The Governor initially indicated that was all right, but then changed her mind and said there shall be no revenue sharing – so there shall be no revenue sharing. We are the only state in the country that has tribal gaming that does not have revenue sharing. The idea that was worked out with the Spokane Tribe was to go on an adjusted basis from 3 to possibly 25, more or less, as far as revenue sharing goes, which meant all of these smaller Tribes would pay almost nothing. It meant the large Tribes would pay the top amount. I think it is simply not fair to the rest of the people in this State that every other state that has tribal gaming has revenue sharing and our state does not. That is the reason I am voting against the compact.

Senator Prentice: I do plan to vote for the compact. The Tribes came on board with gambling in 1991 and, in a very short time, we have seen enormous things happen from, as some pointed out, a base with no income. We have had the discussion about revenue sharing. It is not our call; it is the Governor's call and those who negotiated. When it is negotiated, it must be done with some respect, and I believe that it is appropriate now to vote for this compact. The issue of revenue sharing is not part of it, and so I will be voting yes.

Commissioner Niemi: I would like to say one more thing that hasn't been said. As of last July 1, the amount of money raised in gross profits from only the machines was approximately \$1.2 billion. We anticipate next July, it will be about \$1.6 billion. There is no question that this amount will increase. That is good for the Tribes, it is good for the State, but that is why I am talking about revenue sharing.

Chair Ellis: Is there further discussion of the motion? Hearing none, all in favor of the motion say aye. The Chair votes aye. That is five aye votes in favor of the motion. All those opposed to the motion say nay. That is three nay votes opposing the motion.

Chair Ellis: The motion carries five to three.

Senator Prentice made a motion seconded by Representative Wood that the Gambling Commission transmit the compact amendments to the Governor with a recommendation that the Governor execute the amendments to Tribal-State Class III Gaming Compacts. Vote taken, the motion passed with five aye votes and three nay votes (Commissioners Bierbaum and Niemi, and Representative Curtis voted nay).

Chair Ellis: When the Tribes execute the compact amendment X2, Director Day will transmit the compact to the Governor with a recommendation that she execute it. I don't believe we need to say anything more about our appreciation for the work that the Tribes did, as well as our own negotiating team of Director Day and Jerry Ackerman, and to Melinda Froud and Gail Grate, who did the work behind the scenes. All of the work the Tribes did that went into this process is greatly respected and appreciated. We know it was not easy, and it is amazing when 27 sovereign governments with various points of view were able to come together in a document like this. Overall, the Commission feels that it will serve the State well and I think the Governor has already indicated that she agrees. So thank you again for coming.

Chair Ellis called for a recess at 11:40 a.m. and reconvened at 11:50 a.m.

10. Approval of Minutes:

Commissioner Niemi made a motion seconded by Commissioner Bierbaum to approve the minutes of the regular meeting of February 8 and 9, 2007, as presented. Motion passed unanimously.

Rules Up for Final Action

11. Rules Simplification Project – Card Rooms

a) **New Section WAC 230-15-319 – Retaining video recordings** (*This rule won't become effective until 01-01-08*)

Beth Heston, Project Manager: I wanted to take this opportunity to talk a little bit about the milestone that we've hit with this particular chapter and to thank some people for that milestone. This is probably the most complex, controversial chapter that we've done in the rules simplification process and luckily it was one of the least adversarial as well, which I think was amazing and I wanted to thank some people for that. I want to

thank Gary Murrey and Steve Griffiths for their hard work on the small groups and the RGA in general and for their comments. I also want to thank the staff that participated: Karen Rea, Mark Harris, Mark Richart, Bill Kesel, Keith Wittmers, and Roshawna Fudge. They went above and beyond. We met 17 times; 17 different drafts on this chapter, which you and the public have seen 5 times now – six if you count the study session where it was introduced. At the moment the chapter is at 189 pages, but at times it has been as high as 279 pages, depending on the number of rule summaries that were inserted. Once we removed those and the old rules, it actually shrunk to 72 pages. It was originally 62 rules that had been taken apart and rewritten into approximately 150 rules. That sounds like a bad thing for rules simplification until I tell you that it also started out at 27,348 words and it is now at 21,409 words; a loss of 7,878 words. It also marks a milestone in the project because it is the halfway point. However, we have so many other chapters on the agenda, it doesn't seem quite so cut and dried.

Chair Ellis: Just to clarify, I assume that you are talking about both Items 11 and 12 on the agenda – all of the rules simplification project items relating to card room rules? **Ms. Heston:** Yes sir, the entire chapter. We pulled the nine amended rules out and they will be up for final action at the next meeting. Today we are hoping to pass about 150 rules that have been meticulously gone over word for word by Commission staff and the industry at large. These are unchanged since you saw them last, so I am not going to go through the rule summaries, but I would like to call your attention to Item 11, which is up for final action and staff is recommending that it be passed.

Chair Ellis: Are there any questions? Apparently not. Are there any members of the audience that would like to address Item 11 on the agenda – the new section for WAC 230-15-319? Seeing that no one is stepping forward, we will close the public hearing. Is there a motion to approve this new section?

Commissioner Niemi made a motion seconded by Commissioner Rojecki to adopt WAC 230-15-319, as presented by staff, to be effective January 1, 2008. *Vote taken; the motion was passed unanimously.*

12. Rules Simplification Project – Card Rooms

a) **New Chapter 230-15 – Card room rules** (*This chapter won't become effective until 01-01-08*)

Ms. Heston: This chapter has not changed since last month and the amended rules have been pulled out, so this is in its final version. **Chair Ellis:** And it is 7,878 words shorter than the old version. Are there any questions by members of the Commission? Apparently not. Are there any members of the audience that would like to address Item 12 on the agenda and the general package of card room rules? Seeing that no one is stepping forward, we will close the public hearing. Are there any members of the Commission that would like to have us split out any individual rule for separate consideration? Hearing none, I think it is appropriate that we deal with the rules as a group on bank with a proposed effective date of January 1, 2008.

Commissioner Parker made a motion seconded by **Commissioner Bierbaum** to adopt Chapter WAC 230-15, Card room rules, as presented by staff, to be effective January 1, 2008. *Vote taken; the motion was passed unanimously.*

Chair Ellis: In addition to thanking all of the staff involved, the Commission certainly appreciates the work that the RGA did; Dolores Chiechi and the contributions from Gary Murrey and Steve Griffiths, and I think Chris had something to do with the rules at various times too, so thank you.

13. Petition for Rule Change – Increasing Poker Wagering Limits from \$25 to \$40

a) Amendatory Section WAC 230-40-120 – Wagering limits in card games.

Mark Harris, Assistant Director: Item number 13 is a petition for a rule change proposed by Andrew Kimmerle, a poker player. This item is up for final action. The petitioner is requesting that the poker wagering limits be increased from \$25 to \$40. The wagering limits are currently \$25 and those were increased from \$10 to \$25 in May of 2000. Currently the total amount players could win wagering in a poker game is \$500. And that is based on five betting rounds with four bets and raises. The most common game played is Texas HoldEm, which is basically a game where there are four betting rounds that are split up, it is either a 4/8 or an 8/16, and under those constraints what they could currently do is a 12/24 which would have a total bet per player of \$288. The limit on tribal casinos is \$500 per wager and staff checked with several tribal casinos and they really don't have a prescribed or set betting limits or range that I should say for the games. It basically ranges from 24 games all the way up to the \$500 limit. **Chair Ellis:** On that point, did you get any sense of how many tribal casinos actually have tables where they are using a \$500 limit; is this something that usually occurs once in a blue moon? **Mark Harris:** I don't have direct involvement with the regulating of the tribal casinos, but my guess would be that it's not a very common occurrence. I know that 24, in the past, is usually a kind of a limited game too because it goes through the money quicker for the players. Under this current proposal, if you were going to use the Texas HoldEm Game as an example, they could do a 20/40 game and the total that a player could wager would be \$480. If you did a 5 betting round game with the four raises and bets the total would be \$800, which is not a very common occurrence. In October 2005 the Commission filed a petition submitted by the RGA requesting the wagering limits be increased from \$25 to \$100. The change would have significantly raised the stakes in poker the total that a player could have wagered under those circumstances would have been \$2000. The Commission denied that petition request at the January 2006 Commission Meeting. The impact of the proposed change as far as regulatory increases we would still regulate the games as we do now and we would just enforce the higher betting limits as far as investigations and such. Policy considerations would be whether this could be perceived as an expansion of gambling. Those directly impacted would be any of the card room licensees that operate poker, included house-banked card rooms that also offer poker. In your packet there are several statements for it, including testimony given at prior meetings. There should also be a yellow page added that included a couple more emails that came in subsequent to the packet being put together.

Chair Ellis: Have we received any input, testimony, emails, or letters opposing the proposal? **Mark Harris:** Not to my knowledge. Staff's recommendation is that this is a policy decision and the Commission must decide whether or not the proposal is consistent with the legislative intent expressed in RCW 946.010. The petitioner is requesting that the change be effective 31 days from filing and is here to make a comment.

Andrew Kimmerle: I want to thank the Commission for hearing my petition. I believe this is another good advancement for poker, in general, and players like myself. With everything that has been happening in Washington in the gaming industry, this is a very small request that I am asking the Commission to approve. My friends and I feel very comfortable playing poker at these levels. I would like everyone on the Commission to understand this is not an expansion of gambling, but more like an improvement on gambling. In the long run, this will improve poker for the State of Washington. I would also like to publicly thank Susan Arland for all the help she gave me in putting this petition together. Thank you.

Chair Ellis: Is there anyone in the audience that would like to address this petition?

Gary Murrey, Recreational Gaming Association (RGA): Thank you Chair Ellis, members of the Commission. We support the petitioner; this is a widespread need by the industry, but anytime we have a customer or someone in the industry who wants to do something like this we are fully in support. I would just like to make two quick points. Number 1 is that in my opinion this is something that is keeping up with inflation. You know seven years ago it went from \$10 to \$25 after ten years at that level, seven-years, it's a small increase. As far as the betting limits, I was at Muckleshoot playing last night; they had a 50/100 betting limit game, 100/200 betting limit game, and two \$500 betting limit games going at one time. That is a standard day. Tulalip, last time I was there, had four \$500 betting limit games, and last night Little Creek had two \$500 betting limit games. It happens every day at almost any tribal casino that has more than five or six tables going. It is rather common now to have that \$500 betting limit available every day. There is a huge trend to spread the limit these days. Thank you.

Chris Kealy, as a personal citizen: Following what Gary is talking about, that spread limit game is the common practice. We talk about \$2,000 betting hands if you go all the rounds at the maximum on a \$100 game, but that doesn't happen, and that is not how the game works. It's just meant to push them off the hand. That is why I would still like to see this proposal amended to the \$100 which is one fifth of what is going on at tribal casinos because it would allow my business specifically, which is two miles from the Muckleshoot reservation, to modestly compete on that spread limit market. So I would like to see this proposal amended to the \$100 maximum and then you wouldn't have to address this every year until we get it. That is my request. **Chair Ellis:** I understand your point, but I believe, subject to the advice of Mr. Ackerman, an amendment doubling the size of the limit would essentially be a change to the petition that would require restarting the process. **Mr. Ackerman:** No, I don't think this is a substantive amendment, and since the APA uses that term because the issue upon which the public

has been given notice is changes to the betting limits. So it is something that the Commission could address through an amendment if it chose to do so. Obviously it would require an amendment be brought forth, seconded, and voted upon by the Commission. **Chair Ellis:** Mr. Kimmerle, as the petitioner, what would your attitude be to the Commission considering an amendment to double your proposed limit from \$40 to \$100? **Mr. Kimmerle:** I see no problem with it. But if it would prolong this much farther, months down the road, I don't know, I don't see it, but if this would just go along as we are going along now it sounds fine to me. **Chair Ellis:** Mr. Harris, what would the attitude of staff be regarding this proposed amendment? Would you want a new period in which to evaluate it and to come back to the Commission with a reason analysis? **Assistant Director Harris:** Our position would still be the same. As far as regulatory concerns, we would still regulate the game the same way within the limits. It would be up to the Commission to determine if it met the requirements. It was brought to my attention that I need to clarify that the Class III betting limits at the tribal casinos are at \$500, but the Class II betting limits for poker are still under the \$25 just like public card rooms. So if we change this, I believe it might have an impact on that aspect of it too.

Chair Ellis: I assume the appropriate procedure would be to first determine whether any member of the Commission would like to move to amend the petition. Is there any member of the Commission who would like to move that the petition be deemed amended to produce an increase to \$100 rather than \$40? Hearing none, we will proceed to consider the petition as it was submitted with an increase from \$25 to \$40. Is there anyone else in the audience who would like to address the Commission on this petition? Seeing that no one is stepping forward, the public hearing is closed.

Commissioner Rojecki made a motion seconded by Commissioner Bierbaum to adopt Amendatory Section WAC 230-40-120, as presented by staff, with an effective date 31 dates after filing. Vote taken; the motion was passed unanimously.

Rules Up for Discussion and Possible Filing

14. **Petition for Rule Change – Amusement Game Wagers and Prizes**
a) **Amendatory Section WAC 230-20-685 – Commercial amusement games – Wager and prize limitations.**

Assistant Director Harris: This petition is from Nickels and Dime Incorporated, an amusement game operator, and is up for discussion and possible filing today. The petitioner is requesting that amusement game wagering and prizes limitations in areas where school age minors are allowed to play be increased from \$250 to \$600 for prizes and from 50 cents to \$2 wagering limits. Amusement games are defined in RCW 9.46.0201. Examples of these types of games would be a crane game, a ski-ball game, or a game called Wackamole. There should be some pictures in the back of your packets illustrating these types of games. The amusement game prize limits were increased from \$100 to \$250 in 1997. In 97' a petitioner petitioned for a rules change from an amusement game licensee was filed by the Commission. The petitioner requested the wagering limits be increased from 50 cents to \$1 and prizes be increased from \$100 to \$500. The Commission was concerned about the increased wagering limits because

minors were present and allowed to play, and the Commissioners then amended and adopted the petition keeping the limit at 50 cents for wagers and increase the prize limits to \$250. The only restriction on amusement games wagering limits and prizes are where they are operated; where minors are present. Examples of these would be regional shopping centers, movie theaters, bowling alleys, miniature golf courses, skating facilities, amusement centers, restaurants, and department or grocery stores. And the typical game you would see at these locations is the crane game. Amusement games operating in other authorized locations have no restrictions on the wagering prize limits; these places would include, seasonal events like agricultural fairs and amusement parks and locations where minors are not allowed, which would be establishments where they have liquor licenses.

The impact of the proposed change would be mostly amusement game activities with wagering limits and prize limits that occur in places where there is limited supervision and minors have access to play. The petition would significantly increase the cost per play and the prizes in basically uncontrolled environments, and would require the agency to increase its regulatory program for amusement games. An example of a contrast to this would be a pull-tab that costs a dollar; these are operated in very controlled environments that are very highly regulated by the Commission. The petitioner states in her letter that the customers have requested the higher prizes but they did not state what these higher end prizes are or what amusement games they anticipate the wagering and prize limits to be on. Regulatory concerns from the agency are that no additional revenue would be generated to fund the additional regulatory oversight. We would not anticipate the ability to devote resources from other regulatory programs to monitor amusement games and follow-up on a potential higher number of complaints. Currently we use limited regulatory resources to monitor these amusement games, and an increase in wagering limits and prizes would increase the needed regulatory oversight resources. Additional resources would also be needed to respond to complaints.

The policy consideration is that an increase could be perceived as an increased expansion of gambling. As proposed it would offer higher wager limits in an uncontrolled environment where minors spend money on the activity. The licensees directly impacted would be the amusement game operators. The Commission has three options with this petition, as outlined in the memo from Rules Coordinator Susan Arland: to file the petition, deny support and state reasons, or to file an amended or alternative version.

Staff's recommends the Commission consider whether the proposal is consistent with the Legislative intent expressed in RCW 9.46.010, whether the increase of the \$2 wager limit is still entertainment, as referred to in RCW 9.46.0201, and the need for additional devotion of agents resources if this passes. The petitioner did not indicate an effective date.

Chair Ellis: Are there any questions of Mark? Hearing none, is there a representative of Nickels and Dimes present to address this petition?

Kevin Jordan, Senior Vice President for Nickels & Dimes Incorporated: Basically I have the document sent back to me regarding the concerns. I would like to point out a couple of things. One is it talks about there would be no added increase in revenue; however, we would be buying additional equipment by being allowed a higher price for play. When we buy additional equipment, we pay additional property taxes on that equipment. Currently Nickels and Dimes pays property tax on over \$2 million worth of equipment in the State of Washington. Another concern was the sales tax base by being able to do additional operations for our company with regards to doing the higher price for play on a particular piece of equipment to generate more revenues and develop more sales taxes also. I was a little concerned where Mr. Harris talks about being concerned about additional complaints. I would like to find out what is thought in regards to additional complaints. In regards to the fact, I don't see that by adding this increased price per play or adding higher prize value limits that it would increase any problems in our operation. I would like to point out that the added prize value limit that we requested would not be needed at this time. That was requested for a particular piece of equipment that is doing very well in the rest of the nation. It is not an authorized game in the state of Washington, so there is no need for the added prize increase. I have no problem with letting that go by the wayside at this point in time.

Chair Ellis: What you are saying is that, as far as you are concerned, it would be fine to leave the prize limitation at \$250 where it is presently, and just limit the petition to increasing the wagering limit from 50 cents to \$2. **Mr. Jordan:** Yes, that is correct. The equipment we would like to operate would require that higher prize point, which is a game called Stacker, which you are familiar with because we have talked about it. But we found out that it is not an authorized game in this State, so there is no need for the prize increase. In regards to the price per play wager, there are several larger cranes that are on the market; I have a photo that I could submit it to you. It is basically just a larger version crane that has various stuffed animals in it. These cranes are being operated in about 35 other states, but we are not operating it in Washington because the price per play has to be higher to afford the products in the machine. In order to be able to afford the \$10 animal that goes in the crane machine, as opposed to the \$2 stuffed toy that we put in the other machines, we need a higher price per play. Another thing I wanted to point out was the cost of inflation. I believe the 50 cent play limit has been set at that price ever since crane games have been allowed to operate. I would think by this time we should be allowed to raise crane games to a higher value.

Chair Ellis: Are there any questions of Mr. Jordan?

Commissioner Parker: Could staff comment on Mr. Jordan's point about the 35 other states that already authorize this \$2 per wager machine? **Mr. Jordan:** It is a game of skill, not really a wager; it is not really a gambling device, but a game of skill for someone who has the ability. **Commissioner Parker:** A machine that you just showed us a picture of, right? **Mr. Jordan:** Correct. **Assistant Director Harris:** No I could not collaborate that. I know the reason it probably is not in our State is because of the limit of 50 cents vs. the \$2. **Director Day:** That information was not in the petition, so

we were not exactly sure what the petitioner was planning to place in the State. Staff could certainly follow-up on this, if the Commissioners desire to file this.

Chair Ellis: Mr. Ackerman, what procedure is required for the Commission to treat this petition as simply proposing an increase in the wagering limit from 50 cents to \$2 with no change in the prize limitation. **Mr. Ackerman:** The only requirement would be a motion to that effect. This is up for discussion and possible filing, so the motion would be to file the petition with the change you just described keeping the prize limitation at \$250, as under the current law, but increasing the wagering limits from 50 cents to \$2. Also, state in the motion that, at the next meeting when this comes forward, the petition reflecting that change would be before the Commission for further action.

Chair Ellis: I have one question that relates to the point where no revenue would be generated to fund the additional resources needed for regulatory oversight. I gather from that statement, that we do not have the ability to increase the applicable license fee to recover anticipated enforcement costs? **Assistant Director Harris:** Correct, his statements are probably to increase taxes, but it wouldn't increase our revenue for the agency to fund additional regulatory issues. We would have to put forward a rule change to increase the license limits, or propose requiring stickers on the machines, which would have to be limited from the current requirements in place. **Chair Ellis:** Would we have an Initiative 601 issue at that point? **Mr. Ackerman:** We may, Mr. Chairman; it would depend upon how large a license increase was proposed, but that is a possibility.

Chair Ellis: You may not be aware of it, Mr. Jordan, but the Gambling Commission is funded by fees and penalties that are paid by organizations that the Commission regulates, as opposed to coming from the State general fund or funds derived from sales tax or property tax, so we have to look at independent funding by the licensing fees as a way to recover the costs from these kinds of activities. **Mr. Jordan:** Is there a possibility of doing a temporary six-month approval so we can see if there would be any added cost involved? **Director Day:** By that time, we would have already expended the resources. We anticipate that when the amount that can be invested goes from 50 cents to \$2, the consequences of public complaints would increase if there was a problem with it. However, it is possible we could be wrong, especially if there is a reduction in the value of the prize because that was also compounding our concern. When there is a higher prize, there is more willingness to find some way of winning the prize other than legally, which might result in additional complaints. One thing we can't tell is the potential for public complaint when we are talking about equipment that is available to children to play.

Chair Ellis: The issue before us is whether the petition before us should be accepted for filing and future discussion. Is there a motion concerning the proposed petition that would incorporate the omission of the increased prize limitation provision?

Commissioner Parker: Including an effective date, if we approve it for filing. I think just to file a motion like this, the practice of the Commission has been to allow the petitioner the opportunity to present their petition to us. I think from the discussion, staff could come back to us with further information at our next meeting. If we filed it at this

meeting with an effective date of June 1, does that leave time to consider this proposal, or would it be better to make it January 2008. **Director Day:** Normally, if there is no specific date listed, then it is either June or January depending upon when the Commission approves it. **Commissioner Parker:** And once we file it we have how long? **Director Day:** We have six-months. **Commissioner Parker:** Six months to say yea or nay or to dispose of it one way or another? **Director Day:** Yes. **Commissioner Parker:** I move that we file it with the amendment requested by the petitioner without having specified the effective date and if we approve it before June 1 it is effective in January.

Mr. Jordan: Is there any way to move that date up? **Chair Ellis:** If the petition is accepted for filing, an expedited date is something we can talk to staff about before the next meeting. **Mr. Jordan:** Would you expect to have me here at the next meeting? I have no problem traveling, although I am based in Dallas, Texas, I am on the road every week. If you need me here, I'll be here again next month. **Chair Ellis:** You will need to be here at some point; the question will be when that point is. Our new approach on having two hearings rather than three hearings will apply to petitions that are handled for the first time at the April meeting. Either way, staff will let you know when you need to be here. There will be at least one additional hearing on this petition if it is accepted for filing. **Mr. Jordan:** That would not be a problem.

Commissioner Parker made a motion seconded by Commissioner Bierbaum to accept for filing and further discussion amendatory section WAC 230-20-685, as presented by staff with the amendment requested by the petitioner to leave the prize limit as is and only increase the price to play. *Vote taken; the motion was adopted unanimously.*

15. **Petition for Rule Change – Card Games**

a) **Amendatory Section WAC 230-40-010 – Social card games – Rules of play – Types of card games authorized.**

Assistant Director Harris: The petition for rule change proposed by Shufflemaster is up for discussion and possible filing today. The petitioner is requesting to withdraw this petition and submit an amended version, which is being passed around to you. The version they originally presented would have allowed an unlimited number of card games to be played on a hand, which staff did not support. Based that, the petitioner wants to amend his petition; instead of eliminating the whole section, he would like to change the limit to three. That would enable the petitioner to propose the card game they originally wanted to get into the State as an allowable option. The petitioner is here to address the concerns about submitting the amended version. Staff's current position would be to not support the petition. Based on the revised submission, staff position would most likely change. I would need to take the revised submission back to staff and the rules team for discussion, and bring a revised position to the next meeting. Right now our current position is that we wouldn't support it. And based on this revised submission our position on it will most likely change but we would need to address it with the rules team and other staff members.

Chair Ellis: The question we need to address is the appropriate procedure for dealing with the revised petition. **Mr. Ackerman:** It could be done in the manner suggested by Assistant Director Harris; the other option would be to simply set this over until the next Commission Meeting and give staff time to develop a position. Then you would have the benefit of their recommendation and full compliment of information in front of you to help you decide whether or not to file it.

Chair Ellis: Will the representative from Shufflemaster come forward and address the Commission.

Roger Snow, Vice President of Shufflemaster: Briefly, to reiterate what Mr. Harris said, when Shufflemaster initially submitted this petition we did not realize we were going to be opening Pandora 's Box. Our intention was to add one additional bet, probably a dollar progressive or a dollar bonus bet; options that are quite prevalent and quite popular around the country. That is all we wanted; it was our mistake to ask for this when we really only wanted a tiny piece. Whatever the procedure calls for, we will comply with. I live in Las Vegas, but I am happy to come up at any time to discuss this matter further.

Chair Ellis: If we have you resubmit the petition and give staff the opportunity to develop a position on the revised petition then the matter would be before us at our meeting on April 13 in the Tri-Cities. Would that be convenient for you to attend? **Mr. Snow:** Yes, that would be fine.

Chair Ellis: Do any Commissioners wish to take a different approach and actually address today the acceptance for filing and discussion from the revised petition?

Commissioner Parker: Just put it off. **Chair Ellis:** Hearing that, we will go ahead and calendar it for the April 13 meeting. Thank you for your flexibility Mr. Snow.

Mr. Ackerman: Mr. Chairman, I just checked the date of the receipt of the petition and it was received on January 22, and there is a 60-day rule for the Commission to take action. **Chair Ellis:** This petition is withdrawn, isn't it? **Mr. Ackerman:** If it's withdrawn there is no problem. **Chair Ellis:** Mr. Snow, is that acceptable procedurally to consider this petition before us with the unlimited potential withdrawn? **Mr. Snow:** Let me check with counsel.

Gary Murrey: I'm here on behalf of Roger Snow to guide him through the slippery stuff that we sometimes get into when we try to figure out how each commission works. If my understanding is correct, you still have two more times to look at this. Staff has two to six-months to make new recommendations, so we could save a lot of time and problems at this point by filing it for further consideration, which Mark stated was fine with staff. You still have six months to hear staff's position from there. It saves Roger the time from coming up from Las Vegas and re-filing, which may end up with another deadline that the staff has to re-put into the books and put forward. If there is not a problem with filing for further consideration, it doesn't close any doors for you.

Mr. Ackerman: The only problem with that, Mr. Chair, is the APA contemplates that you will make an informed decision as to whether or not to even file; it is not automatic

that you file. If the staff came forward with strong reasons as to why this is a bad idea, either from a policy perspective or a legal perspective, you may decide not to file it in the first place. That is what you forgo, if you do what Mr. Murrey is suggesting.

Chair Ellis: I think in the memorandum on hearings for the proposed rule changes that the Director described at the start of the meeting yesterday, it states that effective April 2007, proposed rule changes would be on the Commission agenda twice rather than three times. So as a practical matter, when a new petition is filed, it is subject to that rule. We are going to end up with today's discussion, plus two more, any way you cut it. So addressing whether to accept the petition for filing today is not going to reduce the number of appearances Mr. Snow will need to make.

Mr. Snow: Regardless of which direction we go, I am fine with it. Whatever the proper procedure is, I am willing to accommodate it. **Chair Ellis:** Unless there is a concern by another Commissioner, we will deem the existing petition to be withdrawn. We will look forward to the filing of the revised petition with staff having an opportunity to develop a recommendation before we address the question of whether to accept it.

16. Business/General Discussion/Comments from the Public/Adjournment

Chair Ellis called for public comment. With no further business, **Chair Ellis** adjourned the meeting at 12:35 p.m., and noted the next Commission Meeting would be conducted at the Red Lion Hotel in the Tri Cities.

Minutes submitted by,

Gail Grate
Administrative Assistant