

**WASHINGTON STATE
GAMBLING COMMISSION MEETING
THURSDAY, AUGUST 9, 2007
MINUTES**

Chair Niemi called the meeting to order at 1:40 p.m. at the Hilton located in Vancouver. She then introduced the following members and staff present:

MEMBERS PRESENT: **COMMISSIONER JANICE NIEMI, Chair**, Seattle
COMMISSIONER PEGGY ANN BIERBAUM, Vice-Chair, Quilcene
COMMISSIONER JOHN ELLIS, Seattle
COMMISSIONER KEVEN ROJECKI, Tacoma
SENATOR MARGARITA PRENTICE, Seattle
SENATOR JEROME DELVIN, Richland (*attended executive session*)
REPRESENTATIVE GEOFF SIMPSON, Covington

STAFF PRESENT: **RICK DAY**, Director
SHARON REESE, Deputy Director
JEANNETTE SUGAI, Program Manager – Field Operations
DAVID TRUJILLO, Assistant Director – Licensing Operations
AMY HUNTER, Administrator – Communications & Legal
JERRY ACKERMAN, Assistant Attorney General
GAIL GRATE, Executive Assistant

Director Day reported that Beth Heston, Project Manager for the Rules Simplification Project, has accepted a promotion with the Department of Social and Health Services. **Chair Niemi** and **Director Day** thanked Ms. Heston for her tremendous patience and hard work during the entire rules simplification process and presented her with a certificate.

1. Review of Agenda and Director's Report

Director Day reviewed the agenda for Thursday and Friday and noted changes and inserts added to the agenda packet since publication. **Director Day** noted that the minutes and the Rules Simplification Clean-up Package were mailed under separate cover, and that during the executive session, Ms. Grate would insert some changes made to the clean-up package. **Director Day** welcomed Jeannette Sugai who was standing in for Assistant Director Mark Harris.

2007-2009 Budget (PowerPoint Presentation)

Director Day introduced Business Office staff members Cam Dightman and Judy Pittelkau, and Administrator Terry Westhoff. At the July meeting, **Director Day** presented a preliminary review consisting of revenue, expenditures, and adjustment recommendations for the agency's 07-09 budget. Today's presentation will update that information and provide staff's recommendation for the Commissioners' consideration

and approval of the adjusted budget. Director Day pointed out that, like most organizations, salaries and benefits are the largest expense, and to save money what usually has to be done is to not fill positions. In 2007, we have already managed to balance the budget with less revenue in order to accommodate those areas. Director Day explained that this budget plan needs to take the agency to fiscal year 2010. Because of the way the budget has been managed, the working capital balance (WCB) is \$200,000 more than what was anticipated. Prior to moving into the revenue and budget recommendations for this biennium, it may be helpful to briefly look at some of our criminal investigation work. The Commission and staff are often occupied with licensee or tribal-related matters at the Commission meetings, so it is easy to forget that the Commission is responsible for enforcement of all of RCW 9.46. That includes a diverse range of topics, from promotional contests of chance to Internet gambling. The law directs the Commission to fund these licensing and enforcement efforts through collection of licensing and regulatory fees.

One area significantly important to the integrity of all Washington gambling, and that directly supports legislative policy, is keeping the criminal element out of gambling, which is done through our criminal investigation work. At the July meeting, a glimpse of the complicated nature of some of that work was seen through the mini-baccarat investigation presentation, which resulted in about a dozen federal indictments. Director Day provided a broader picture of the breadth of our agency's activity through a few case examples, including bookmaking, loan sharking, animal cruelty, and seizure of illegal machines.

If the Commission approves the budget as presented, proposals will be brought to the Commission in both rule format and legislative format. One proposal would to extend identification or certification stamps to other areas of gambling equipment in the state. Another proposal would be to retain the gambling revolving fund interest, which would require a legislative change. A request would also be forwarded to the legislature for an exemption from the 601 fiscal growth factor limit. Two areas of licensing that would enhance regulatory efforts are key employees and publicly-traded company licenses. It is important that regulatory costs are recovered. Under I-601, the Commission is not able to raise the smaller fees and the exemption would allow the Commission to finally raise those small fees, which staff estimate could result in between \$150,000 to \$200,000 in additional annual income to the Commission. In Fiscal Year 09, if these revenue enhancements would take place, staff estimates an increase of approximately two million dollars, about 64% from the equipment stamp expansion and only about 13% from license fee increases and the other areas.

Staff recommends approval of the FY07-09 budget, including the expenditure plan of \$16,376,000 and 176.2 FTEs in Fiscal Year 08 and \$16,903,000 and 174.4 FTEs in fiscal year 09. If approved, the budget will need to be actively managed against ongoing revenue trends and staff will need to immediately move forward the WAC and legislative changes based on the success of one proposal or the other, plus there is the public process involved. The proposed fee increase would go into effect in January, 2008. The

Commission could increase fees for the full fiscal year, if desired, but it has been the Commission's practice to only move forward with a fee increase during the period of time that the increase is actually needed to run the agency and manage its budget. Any potential impact from Initiative 960 will have to be monitored, because if it were to pass, it would require legislative approval of all agency fee increases.

Staff recommends and requests the Commission approve the budget as reflected.

Chair Niemi noted that Ex Officio Representative Geoff Simpson from Covington has joined us and asked if there were any questions of the Director. **Commissioner Bierbaum** asked why the Commission was doing another budget approval for FY 08 and 09 since the Commission approved a budget in August 2006. **Director Day** explained that it was not known what state-wide changes may be made by the Legislature when the Commission approved the budget in August 2006. To incorporate any of the increases approved by the Legislature, the Commissioners must approve adding them to the budget. **Commissioner Bierbaum** noted that the spreadsheet shows the expenditure plan at \$16,376,000 but staff anticipates spending \$500,000 less than that and asked why Director Day was not asking for the \$15,876,000 as the budget amount rather than the \$16,376,000. **Director Day** responded that he was basically asking to keep the same level of FTE authorization, with the understanding that revenue was going to be lower. So instead of officially lowering our FTE level and submitting those changes to the Office of Financial Management, which would initiate a process of having to request the FTEs back in the next biennium, staff is asking permission to save those funds through management and leave our official record in place as approved by the Commission. Director Day was also optimistic that revenue would improve.

Commissioner Ellis noted that the budget plan looked good. If the Commission approves the 07-09 budget, is the approval specifically for the expenditure plan and FTEs for Fiscal Year 08 and 09, or is the approval for the broader plan. **Director Day** replied that the Commission approval would be specifically for the two-year budget proposal presented. By approving the request, the Commission would be authorizing staff to move forward to propose the revenue enhancements, but each proposal would have to be individually considered; they are not automatically approved. **Commissioner Ellis** asked if there were changes that needed to be made in the underlying elements supporting the expenditure levels, Director Day would not need to bring those back to the Commission; that staff would be reporting those changes to the Commission, but would only need authorization if there needs to be a change in the expenditure plan because of legislative adjustments. **Director Day** affirmed.

Chair Niemi called for public comment.

Gary Murrey, Great American Gaming Corporation, testified that during the presentation a couple of things came to light that are rather large changes in philosophy. One would be the lifting of the 601 and the concept of going to the Legislature and saying the agency wants to lift this and change the structure, thereby creating another

\$1.3 million in revenue, which is about 10% of the revenue. Without understanding exactly where that change would be, if you're talking about a 26 to 27 cent stamp changing to about \$1.3 million, that seems like quite a big jump when the exact detail is not known of what is going to be asked for later. The Commission is going to approve something that is \$1.4 million more than the agency has now without knowing where that \$1.3 million is going to come from the industry. It concerns us to say that we support it, or don't support it, when the details are not known. We understand the industry is going down, there are less licensees, there is less money coming in, and the tribes are getting more self sufficient. The graph shows a declining revenue that has to be made up somewhere, but the Commission is being asked to approve something where it is not known exactly where the money is coming from; which segment of the industry or which person will have to pay that money. Mr. Murrey was very concerned that the Commission was looking to approve something where the public was not told the details of exactly where those dollars would be coming from.

Chair Niemi pointed out that an allowance of many more machines was approved for the tribes and they do not have the stamp. **Mr. Murrey** agreed, but noted it was the amount that was not known; will the stamp fee be \$5 a machine, \$20 a machine, are we talking about changing the whole structure of employees and what they pay, or the card rooms. Mr. Murrey was worried that the Commission was talking globally about something that, when the details are seen, a person may not like but are forced to do because the money has already been spent.

Chair Niemi asked whether this was discussed during the study session. **Director Day** affirmed, noting there was some misunderstanding. One of the two items under the 601 fiscal growth factor limit has to do with the small fees, like the 27 cent stamps, that over a period of more than ten years have not been increased because the fiscal growth factor allowed under I-601 was not large enough to increase them to the next dollar. What is being proposed is to allow the agency to take those years that were missed and add them on to the fee for the stamp. It is a number of small items that add up to be about \$170,000 to \$200,000 over the biennium. The other item discussed was that our licensing fee structure is somewhat regressive for smaller establishments and different for house banked card rooms. Staff wants to look at the process of whether the licensing structure should be reformed so that all license structures are similar and under a class system based on gross gambling rather than on how house banked card rooms are today. Staff estimate this will actually be close to revenue neutral, but in the end may have more benefit to the Commission in the way of revenue from larger establishments instead of the smaller, less profitable establishments. The stamp question actually has nothing to do with the I-601 proposal – stamps are already issued. This proposal would require the agency to move forward with a rule to require manufacturers to put stamps on items that are not currently required to have a stamp, like the Tribal Lottery System machines. Staff estimates around \$1.3 million in that area, or about 60 percent of the new revenue the agency is seeking. That estimate is based upon approximately \$50 per stamp per year. Before a proposal is brought forward, staff intends to complete its examination and decide on the best total level of fee needed to balance the budget. **Gary Murrey** said that

explanation helped a lot as he looked forward to who was going to share the burden. **Chair Niemi** thought this was a very good budget plan and congratulated staff on their work.

Commissioner Bierbaum made a motion seconded by **Commissioner Rojecki** to approve the budget for Fiscal Year 2007 and 2008 as presented by staff, with an effective date of November 30, 2007. *Vote taken; the motion passed unanimously.*

Director Day clarified that we are actually in the fiscal year so the budget would have to be effective July 1, 2007. Staff will have to deal with the question regarding license fee increases on whether that will remain effective December 31 or if it has to be effective earlier if the initiative passes.

Commissioner Bierbaum amended her motion to be effective July 1, 2007, **Commissioner Rojecki** seconded. *Vote taken; the motion passed unanimously.*

Director Day thanked the Commission for their support and confidence, noting that he and staff realize the responsibility placed on us to manage that budget aggressively and keep track of those trends. Director Day assured the Commission that if anything changes dramatically staff will discuss the changes and ask for the Commission's direction.

2008 Agency Request Legislation

Director Day explained that Ms. Hunter will review the staff's recommendations for agency request legislation for the 2008 legislative session. Two of the proposals are carryovers from 2007, which the Commissioners previously authorized staff to work with the Legislature and the Committees.

Amy Hunter, Legislative Liaison, directed Commissioners to her legislative memo behind Tab 1.b. which describes the carry over bills from 2007 session and new proposals for 2008. Ms. Hunter wanted to make sure the Commission would still support staff going forward with the two bills that did not pass in 2007. The first bill, House Bill 1345, dealt with penalties for underage gamblers. The bill passed the House by a vote of 94 to 1, but ran into two different hurdles when it got to the Senate. An amendment was made to the bill that would require the minor's driver's license be revoked for three months for the first violation, six months for the second violation, and one year for subsequent violations. Had the bill passed the Senate, the House was not expected to concur with the amendment because the House has tried to ensure that penalties against driver's licenses only be used for traffic violations. Staff plans to meet with the sponsor of the amendment to see if he would still support the bill without that amendment. Then there were questions about whether those under 18 could buy raffle tickets and also participate in the raffles in other ways. Current laws and rules allow those under 18 to sell raffle tickets but not buy raffle tickets. Ms. Hunter recalled that an email was provided to the Commission during the 2007 legislative session from a James Williams who wanted the Commission to support his idea of having this amendment, which the

Commissioners declined doing. The Senate Companion Bill died in rules. The second bill, SHB1346/SSB5374, dealt with barring lists. The Companion Bills passed out of their respective committees with amendments and then died in Rules. This bill would have allowed the Commission to put about 20 individuals on a barring list a year. These would be “the bad of the bad” like career professional offenders, people with gambling convictions or convicted of a felony that was related to a gambling activity, and those who have been excluded under another state’s barring list.

Ms. Hunter reported on new proposal for 2008, pointing out that as part of the budget proposal, staff would be looking at different ideas for revenue. Ms. Hunter thanked Terry Westhoff, noting that he gets all of the credit for the detailed numbers provided in the agenda packet. Ms. Hunter explained that one proposal would request an exemption of the 601 Fiscal Growth Factor for Fiscal Year 2009 only and the other would have the interest from the Gambling Revolving Account stay in the Commission’s account rather than being put into the State General Fund as it currently is. If the Commissioners are interested in having these ideas pursued further, staff would work on the submission packet – a pretty solid draft is included in your packet. This would have to go to the Governor’s office by the end of September, so we are only looking for a nod of the head or some sign that the Commissioners want to continue to pursue these ideas. A formal vote would be taken at the September Commission Meeting.

Staff had an opportunity to meet with several staff of the Senate Ways and Means Committee and House Appropriations Committee. Staff also met with Ex Officio Senator Margarita Prentice, Chair of the Senate Ways and Means Committee; Senator Kohl-Welles, Chair of the Senate Labor, Commerce, Research, and Development Committee; and Representative Conway, Chair of the House Commerce and Labor Committee. So far, those we have met with have been supportive of these ideas. Staff also plans to meet with Representative Sommers, Chair of the House Appropriations Committee.

Staff recommends that we continue to work on this packet, which also means notifying the different licensees and interested parties.

Chair Niemi asked if there were any questions. **Director Day** noted there was a very good example of one of those areas where the 601 has impacted the agency’s fees in Mr. Westhoff’s report. The second paragraph on page four states that with a change of corporate ownership application, the Commission receives on average two fingerprint cards for processing to the Washington State Patrol, at a charge of \$54 per card processed. A total of \$108 is spent by the agency before staff reviews a change of ownership application, which has a \$56 fee. Staff recommends moving up to around \$350 just to recover actual costs. Those are the types of problems this proposal is designed to correct.

Chair Niemi called for public comment. No one stepped forward. Chair Niemi said that although this does not require a vote, she would recommend pursuing these two

agency request bills. **Commissioner Ellis** agreed; **Commissioner Bierbaum** also agreed.

Correspondence

Director Day briefly discussed the correspondence addressed to Chair Niemi from the Chinese Christian Church of Tacoma and staff's response, which explained that the agency does not have any direct jurisdiction to investigate or take any action regarding the church's allegation.

Monthly Updates/News Articles

Director Day pointed out the Administrative Case Update, the Seizure Update, the Federal Update, and the News Articles.

2. **Qualification/Program Review**

40 & 8, #0099

Assistant Director David Trujillo explained this combined presentation actually marries up two programs that were previously conducted independently by special agents of the Financial Investigations Unit and Field Operations Division. There has not been a Qualification Review come before the Commission for some time because there are fewer charitable and nonprofit organizations with combined gambling annual receipts in excess of \$3 million that must come before the Commission for certification. Because there are fewer licensees in this class, staff decided to attempt to combine the Qualification Reviews with the Program Reviews. The Qualification Review, which is the Financial Investigations Unit portion of the review, is a records review examining a year in the life of the licensee; essentially a desk audit conducted annually from our headquarters office. The Program Review, which is the Field Operations portion of that review, includes an on-site review of the actual and ongoing events in the life of a licensee and ensures that what the organization has reported on paper to our agency is accurate. An unexpected benefit of combining these investigative reviews has been the reduction in duplication. Assistant Director Trujillo introduced Stephanie Hamilton, an agent in the Financial Investigations Unit.

Special Agent Stephanie Hamilton reported the Qualification Review for 40 & 8 involved an analytical review of the nonprofit financial statements and supplemental information the organization provided. The purpose of the review is to ensure the licensee is making significant progress toward its stated purpose and is not in the business for gambling. In order to attain significant progress, the licensee must spend their net gambling income effectively and efficiently on the organization's program. The 40 and 8 is an independent fraternal organization established in 1920 by American Legionnaires. Membership is by invitation only to members who have shown exemplary service. Chapter 99 of the 40 and 8 was established in Vancouver, Washington, on May 4, 1933, with the purpose of Americanism, child welfare, and nursing scholarships. During 2006, 40 and 8 had 214 volunteers who donated approximately 75,000 hours to increased involvement in the community. The organization participated at every local parade, providing rides on its full-size locomotive on wheels. The 40 and 8 also contributed to

local food banks, day care centers, child welfare programs such as child abuse intervention and youth outreach programs, and provided 25 nursing scholarships. Special Agent Hamilton introduced Special Agent Roger Sauve who would discuss the Program Review.

Special Agent Roger Sauve reported that based on the analysis of the financial statements and supplemental information provided through the organization's application, staff believes that the 40 and 8 has made significant progress towards its stated purpose. Staff verified that the organization spent at least 60% of its net gambling proceeds on functional expenses for its programs. Based on review of the organization's bylaws and program services, the 40 and 8 is operating as a charitable/nonprofit organization. The organization demonstrated its programs of nursing scholarships, child welfare, and Americanism are credible and legitimate. Chapter 99 of the 40 and 8 is a qualified nonprofit organization authorized to conduct gambling in the state of Washington. Staff recommends that, in accordance with the WAC 230-08-255, the organization be certified to continue gambling operations in the state of Washington. Special Agent Sauve introduced Mr. Paul Mason, the current treasurer of Chapter 99 of the 40 and 8, noting Mr. Mason has also been a past Chef de Gar, which is the president of the organization.

Paul Mason, Financial Officer, asked if there were any questions. **Commissioner Bierbaum** said she did not speak French and asked what "La Societe des Quarante Hommes et Huit Chevaux" meant. Mr. Mason explained that it stands for the Society of 40 Men and Eight Horses. And the Voiture 99 is our boxcar number, which is the only one in the world. There are about 26 voitures in the state of Washington that all go by the same programs. Qualification for membership is the person has to be a veteran and an American Legion member. After World War I, the veterans came back and formed the American Legion. The veterans thought they ought to get into some different activities and decided to start the 40 and 8. The veterans said okay, we rode in boxcars, transported the troops around, sometimes the boxcars held 40 men and sometimes they held eight horses, and they didn't always clean the box cars out. So that's where our name comes from. **Chair Niemi** thanked Mr. Mason.

Commissioner Bierbaum made a motion seconded by **Commissioner Ellis** that Chapter 99 of 40 and 8 continue to be certified to conduct gambling activities in the state of Washington as a nonprofit organization. *Vote taken; the motion passed unanimously.*

3. New Licenses and Tribal Certifications:

Assistant Director David Trujillo reported there were no unusual items of notice in the Commission Approval List for new licenses and Class III certifications the month of August 2007. **Commissioner Ellis** pointed out that Mr. Trujillo preempted his request for a blanket assertion that Mr. Trujillo would inform the Commission if there were any unusual issues or would not include the organization on the list until the issue was resolved. **Assistant Director Trujillo** affirmed.

Commissioner Ellis made a motion seconded by Commissioner Rojecki to approve the list of new licenses, changes, and tribal certifications as listed on pages 1-15. Vote taken; the motion passed unanimously.

4 **Defaults:**
John D. Ford, Card Room Employee Revocation

Chair Niemi asked if John Ford or anyone representing John Ford was present. No one stepped forward.

Amy Hunter, Administrator of Communications and Legal Division, reported that while working as a surveillance observer at Iron Horse Casino in Auburn, Mr. Ford engaged in a scheme with a co-conspirator to steal over \$1,000 in chips worth \$100 each from the gambling tables and involved manipulating surveillance cameras. Mr. Ford voluntarily quit his job. The director issued charges to Mr. Ford, which were sent by certified mail and regular mail. The legal secretary left a message on Mr. Ford's answering machine reminding him of the date to request a hearing. By not responding, Mr. Ford waived his right to a hearing, and staff is requesting a default order be entered revoking his card room employee license. **Chair Niemi** noted Mr. Ford's license expired on July 22. **Commissioner Ellis** asked what action staff was asking the Commission to take with regard to the expired license. **Ms. Hunter** asked that the license be revoked in order to put it officially on the record, adding that when the charges were issued, the Commission still had jurisdiction over Mr. Ford.

Commissioner Ellis made a motion seconded by Commissioner Rojecki that the Commission enter an order revoking John D. Ford's license to conduct authorized gambling activities, as presented by staff. Vote taken; the motion passed unanimously.

5. **Other Business/General Discussion/Comments from the Public:**

Chair Niemi called for public comment. No one stepped forward.

At 3:00 p.m., **Chair Niemi** called for an executive session to discuss pending investigations, tribal negotiations, and litigation.

Senator Delvin arrived for the executive session.

The executive session was concluded and the meeting was adjourned at 4:15 p.m.

**COMMISSION MEETING
FRIDAY, AUGUST 10, 2007
DRAFT MINUTES**

Chair Niemi called the meeting to order at 9:30 a.m. at the Hilton located in Vancouver, and introduced the attendees present:

MEMBERS PRESENT: **COMMISSIONER JANICE NIEMI, Chair**, Seattle
COMMISSIONER PEGGY ANN BIERBAUM, Vice-Chair, Quilcene
COMMISSIONER ALAN PARKER, Olympia
COMMISSIONER KEVEN ROJECKI, Tacoma
SENATOR MARGARITA PRENTICE, Seattle
SENATOR JEROME DELVIN, Richland

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

6. **Approval of Minutes:**
Chair Niemi noted there was an error in the first paragraph on page five, net gambling receipts from a year ago should read \$1.612 billion not million.

Commissioner Bierbaum made a motion seconded by **Commissioner Rojecki** to approve the minutes of the regular meeting of July 10-11, 2007 as amended. *Vote taken; the motion passed unanimously*

Rules Up for Final Action

7. **Petition for Rule Change from Washington Charitable and Civic Gaming Association Electronic bingo card daubers**
- a) **Amendatory Section WAC 230-20-244** - Electronic bingo card daubers - Definition - Operating restrictions - Standards.
 - i) **Rules Simplification Project Companion Rule**
Amendatory Section WAC 230-10-180 - Electronic bingo card daubers requirements.

Jeannette Sugai, Program Manager reported that the proposed amendment was submitted by the Washington Charitable and Civic Gaming Association, and is for final action today. There is also a rule simplification (RSP) companion rule, WAC 230-10-180. The petitioner has requested that printed bingo card faces no longer be issued to

players that use electronic bingo card daubers unless requested. As an alternative, operators would keep the printed cards in a master index on site so they are available for inspection. Agent Sugai explained the difference between the two main types of bingo daubers. One uses a smaller pool of face cards, allows for the rotation of the bingo card faces, and has the ability to attach paper copies of all the available cards to the back of the machine, which would meet the current rule requirements. The other uses a larger pool of cards that are stored on a main computer system, and card faces are downloaded onto the machine, which does not lend itself to attaching a printed copy of all the available faces to the machine. The operator would have to print those card faces on the player's actual receipt, which would be very long.

Commissioner Bierbaum noted it was the first time she realized there were electronic daubers that met the current requirement and asked whether the first one Agent Sugai showed was in compliance and that there would be no rule change necessary. **Agent Sugai** affirmed, adding that all the available cards are printed on the paper and attached in a sleeve to each machine. **Commissioner Bierbaum** wondered why operators would not just use those daubers that are in compliance. **Agent Sugai** replied that it could have to do with the pool of card faces being available on the main computer that allows a larger pool of faces the customers could play. **Commissioner Rojecki** asked whether these daubers were approved by the Gambling Lab, or how they were looked at for compliance. **Agent Sugai** thought a review was done by staff to make sure the electronic daubers meet all of the requirements with regard to operation and record keeping.

Agent Sugai reported the proposed amendment would pose little or no impact to our regulatory program, but it would be a significant change for bingo when using electronic bingo daubers. The Commission should consider whether the proposal is consistent with the legislative intent expressed in RCW 9.46.0205 and conforms to the definition of bingo. The primary decision to be made is whether to eliminate the requirement for paper cards to be given to the players when using electronic bingo card daubers. Staff recommends final action. The petitioner has requested the change become effective 31 days from filing; however, to be consistent with WAC 230-12-005, staff recommends an effective date of January 1, 2008. If this proposed amendment is adopted, the Commission would also need to take action on the proposed amendment to WAC 230-10-180, the rule simplification companion rule, which would have an effective date of January 1, 2008.

Chair Niemi called for public comment.

Ric Newgard, Washington Charitable and Civic Gaming Association, testified this is the latest technology and is the most popular piece of equipment in his bingo hall. It is colored and is more fun to play. Mr. Newgard explained what he was trying to accomplish was keeping a notebook of the card faces on the premises where staff or players could check the cards. Mr. Newgard's staff would not have to hand out miles of paper every session, three sessions a day, for every machine. Mr. Newgard has three hundred machines in his bingo hall.

Linda Smith, Bingo Manager for Seattle Jaycee Bingo, clarified that the machine Mr. Newgard just showed the Commission, called the GameTech Traveler, is approved and does print out the card faces, so it is a legal, following-the-rule machine. Ms. Smith said those machines are also used in her bingo hall and are very popular. With the new technology, when the cards are printed on the receipt, it would become 42 feet long. Ms. Smith pointed out that smaller electronic dauber that Agent Sugai showed has been used by hundreds of customers and the customers generally do not even look at the attached cards, and the cards sometimes fall out of the sleeve as the customers are going to their table and get thrown away by the customer. When staff get the machines back they have to be checked to make sure the cards are still in the sleeves and available. If not, the machine is pulled off our shelves until staff can print the card faces, shrink them down to the small size, and reinsert them with a machine. The card faces are always available on the computer, which is the same thing with the Traveler. Ms. Smith thought maybe it was time to think about whether the customers really need those tiny cards to take with the machine to their table, or if a notebook could be kept with all of the cards in numerical order, which would be a lot easier to find, a magnifying glass would not need to be used to look at the cards. If a customer really wanted the paper card, that sheet could be taken out of the notebook, look up the machine to get that card series, copy it for the customer, and send it onto the floor with them. Ms. Smith did not believe there would be many customers asking for it, but did know the customers ask for rotating cards. GameTech came up with the new technology to be able to upgrade their system, which is what this is, an upgrade to their computer program. When the electronic daubers first came out, they did not have that upgrade and were following Washington State law in putting out the machines. Ms. Smith said she did not want the Commission to think there are illegal machines out there and hoped the Commission would consider moving this forward.

Commission Parker apologized for not being present yesterday and thought there may have been some discussion on this proposal that he missed. Commissioner Parker wanted to be clear in terms of Director Day's opinion or advice in terms of this proposal. Does this apply strictly to the charitable bingo game, as licensed for charitable gaming, or is this machine, this technology, going to be used by whoever has a license? **Director Day** replied that this particular rule would apply only for charitable/nonprofit bingo. Director Day thought the question the Commission has been struggling with has been that this removes the remaining requirement for there to be a card with the player. It is an issue that impacts the statute and the Commission's discretion on whether it is still bingo. In part, staff is attempting to refer back to the original decision of the Commission to allow bingo daubers and the debate at the time over cards, and the Commission is struggling with the same debate today. Director Day thought Mr. Newgard made a good point that the cards would still be available and offers a greater variety or ability to rotate cards for the customer without the added burden of trying to reproduce those cards in a printed form. It is an added electronic enhancement to the game, but it does mean the end of at least a requirement of a card that goes with the player using the electronic media.

Commissioner Bierbaum did not think the statute said paper card and did not know if

'card' necessarily implied a physical, hard, paper, cardboard card. Used to be a person would get thank you cards that would be on cardstock, but now people get thank you cards electronically and they are still called thank you cards. Commissioner Bierbaum was not sure that card necessarily implied paper, but rather a face, and thought it was still bingo.

Commissioner Rojecki made a motion seconded by Commissioner Bierbaum to adopt amendatory section WAC 230-20-244 and amendatory section WAC 230-10-180, as presented by staff, with an effective date of January 1, 2008. *Vote taken; the motion passed unanimously.*

8. Destruction of Card Room Gambling Chips

a) New Section WAC 230-40-817 - Destruction and disposal of gambling chips.

i.) Rules Simplification Project Companion Rule

New Section WAC 230-15-111 - Destruction of chips.

Agent Sugai reported that WAC 230-40-817 is a proposed new rule submitted by staff that covers the destruction and disposal of logo gambling chips and is up for final action; WAC 230-15-111 is the RSP companion rule. Some changes to the proposed rule since the May Commission meeting are shown on the Amended #1 Version, on the tan paper in the agenda packet. Currently licensees are required to submit internal controls outlining how they will dispose of logo chips. The proposed rule expands and codifies requirements to maintain control over logo chips when a card room closes and goes out of business, and will require a chip destruction log, which will disclose the method of destruction to be used. Three main types of destruction currently used are to drill the chips, crush the chips, or shred the chips. Another requirement would be to designate the department responsible for overseeing the chip destruction, the accounting department would be one of the required departments, and would have to follow procedures when their license is revoked, expired, or voluntarily surrendered. Current rules state in general terms that accounting records must be maintained, identifying the purchase receipt and destruction of logo gambling chips. To ensure accurate accountability of the chips, staff has required more detailed procedures than the licensee's internal controls. The additional requirements would decrease the potential for fraud, theft, and counterfeiting of logo gambling chips and strengthen our regulatory program by reducing the opportunity for fraud. It would also parallel industry practices. At the May Commission meeting, Senator Delvin had a question regarding the court requirements in New Jersey, specifically under what circumstances licensees in that state would be required to destroy their chips. A staff member contacted the New Jersey Casino Control Commission and learned that in New Jersey there are three circumstances under which chips would be required to be destroyed: (1) when the chips are defective due to wear and tear; (2) when a casino wants to replace their existing chips either because a large number of counterfeit chips had been introduced to the casino or they wanted to change their logo for marketing purposes; and (3) when the casino closed or went out of business. Staff recommends adoption of the rule with an effective date of January 1, 2008, for both WAC 230-40-817 and the RSP Companion Rule WAC 230-15-111.

Chair Niemi asked if there were any questions from the Commissioners and called for public comment.

Chris Kealy, Iron Horse Casino in Auburn and Everett, testified that he thought the requirement to destroy the chips if a casino or card room goes out of business is a burden to an asset that needs to be liquidated to the benefit of the creditors. Mr. Kealy has dealt with numerous closed casinos or card rooms, and the asset value is in the chips left when a facility closes, usually about 25,000 chips. Nobody was interested in the casino when it was open, but once it was closed the interest is in the collector value of those chips. Mr. Kealy said that when Great American changed their logos they sold their chips to an out-of-state vendor who has them on EBay for \$200 a set. That is legal, but it is not legal for the owner to sell his own chips from his own facility, because somehow that presents a fraud challenge. In the World Series of Poker this year, when Mr. Kealy walked into the main entry hall, with 54,000 entrants bidding, any number of chips, with any design a person wanted, could be drop shipped to the person's front door and be there in a week. What bothered Mr. Kealy was that the people licensed to have chips have to submit this destruction log and everything that goes along with it. Mr. Kealy liked the destruction log related to operating chips, but disliked the destruction of chips that no longer have a place to be cashed. There is not any danger, and there are millions of chips available elsewhere in the country, including Washington State. The only people who cannot sell the chips are the people licensed and operating honestly within the system. Mr. Kealy disagreed with destroying the chips when a casino goes out of business.

Commissioner Bierbaum thought Nevada and New Jersey, where a lot of gambling goes on, would know what they are doing. Why would those states require the destruction of chips if there is no possibility of fraud? **Mr. Kealy** thought they may be sticking with a program that had maybe 20-25-year-old rules that nobody wanted to bother changing. Are they really obeying that rule? Mr. Kealy did not think they were following it since there were millions of chips available for any particular old casino, and Mr. Kealy could get any he wanted. When the Commission makes rules, Mr. Kealy tended to follow them, and he has a lot of investments in many casinos in the state of Washington. Mr. Kealy said what he will be doing with his chips is not destroying them, but will sell them to the out-of-state vendors that are licensed to have them. The vendor will put them online and be able to sell them back to me and my friends legally outside the system. Mr. Kealy did not think the rule was going to accomplish anything other than making it prohibitive for owners to get value out of the chips they currently have. Mr. Kealy also disagreed with destroying the chips from out of business casinos, which do not present any fraud value. The idea that someone can remanufacture a chip, or paint it black and put some stickers on it, and try to slip it into another casino, can be done with any chip anyway, and can be picked up anywhere. If someone is going to try to defraud the system, they have access to chips all over the state of Washington, all over the world. If a person wants to defraud a casino by painting up one of their chips, it can be done anyway; this rule will not stop that.

Commissioner Parker was not sure he could agree that, just because Mr. Kealy had the ability to do it, the average member of the public would have the ability to do that. It seems like if the chips are out there, it creates an opportunity for any individual who might want to attempt to abuse the system. The rule is a simple way to say the chips should be destroyed. Mr. Kealy may find argument in terms of the value that exists out there for chips in terms of collectors, but the Commission is trying to balance two different issues, one of which is to maintain some regulatory control over an item that could be easily abused in view of the organization vs. trying to accommodate people who want to create a secondary collector's market. The Commission has to weigh on the side of protecting the public against potential harm. **Mr. Kealy** responded that the potential harm is not going to be alleviated whatsoever by destroying these chips, because the availability of chips is there for somebody who wants to defraud; there are any number of ways to acquire chips to defraud somebody. The denominator of available chips is in the billions and by eliminating 300,000 chips from the state of Washington isn't going to have any effect on the availability of chips for defrauding purposes. The casino is at risk for accepting chips, whether it's Muckleshoot or Iron Horse or anybody else. Employees need to pay attention to the chips they are receiving. It really is a lot harder to just take a chip, try to convert it, and pass it through, because employees are looking at them and notice if it doesn't pass the quick test or it doesn't feel right. They are not that easy to counterfeit. Mr. Kealy did not see the benefit of the rule, but did see the cost.

Director Day pointed out that, on the practical side, chips that are destroyed are not available. Director Day answered Commissioner Bierbaum's question about Nevada, pointing out that just under a year ago staff were aware of a case where Nevada was requested to make an exception relative to a collector issue and they denied the request, showing Nevada reaffirmed and stayed steady to the rule they have. **Senator Delvin** noted that the last time he was in Vegas he found a couple stores where a person could buy all kinds of casino chips for collectors and also complete sets of chips from old casinos.

Commissioner Parker made a motion seconded by **Commissioner Bierbaum** to adopt new sections WAC 230-40-817 and the rule simplification project companion rule WAC 230-15-111, as presented by staff, with an effective date of January 1, 2008. *Vote taken; the motion passed unanimously.*

9. Coin/Toss Amusement Game Target Areas

- a) **Amendatory Section WAC 230-20-508** - Authorized amusement games – Types, standards and classifications.
- b) **Amendatory Section WAC 230-20-650** - Amusement games – Coin toss games.
 - i) **Rules Simplification Project Companion Rule**
Amendatory Section WAC 230-13-030 - Group 4 - Coin or token toss amusement game standards.

Agent Sugai reported that these rules were submitted by staff and are up for final action. The proposed amendment clarifies the size of the target or target areas used coin or token

toss amusement games, primarily operated at carnivals and agricultural fairs. It was originally intended for these games to have a target area that was twice as large as the object being tossed to ensure there was a true opportunity for the players to win a prize. Agents discovered games with target areas of more than four square inches, but the shape of the target made it difficult to win the prize. The proposed rule change would ensure games are operated fairly and players are protected. Staff recommends adoption of the rule with a proposed effective date of January 1, 2008, for all three rules.

Commissioner Bierbaum made a motion seconded by **Commissioner Rojecki** to adopt amendatory section WAC 230-20-508, WAC 230-20-650, and the rule simplification project companion rule WAC 230-13-030, as presented by staff, with an effective date of January 1, 2008. *Vote taken; the motion passed unanimously.*

10. **Rules Simplification Project – Punch Boards and Pull-Tab**

a) **New Chapter WAC 230-14 - Punch board and Pull-Tab Rules.**

Beth Heston, Project Manager, reported that Chapter 14 was unchanged since first appearing in May and no stakeholders have commented on it. Staff recommends approving the Chapter as written, with an effective date of January 1, 2008.

Commissioner Bierbaum made a motion seconded by **Commissioner Rojecki** to adopt new chapter WAC 230-14, as presented by staff, with an effective date of January 1, 2008. *Vote taken; the motion passed unanimously.*

Rules Up for Discussion and Possible Filing

11. **Rules Simplification Project – Tribal Casinos**

a) **Repealed Chapter WAC 230-48 - Tribal casinos.**

Ms. Heston noted that this is actually a repealer of Chapter 48, Tribal Casinos, and covers Phase II commission reviews. As a courtesy staff e-mailed the Tribal Gaming Agency directors and sent a letter to tribal authorities notifying them of the intent to repeal this chapter. Staff felt the chapter was not necessary because the Commission has the authority under the RCW and the tribal compacts to conduct Phase II reviews at tribal casinos.

Chair Niemi asked if there were any questions and called for public comment. There was none.

Commissioner Bierbaum made a motion seconded by **Commissioner Parker** to accept for filing and further discussion repealed Chapter WAC 230-48, as presented by staff, effective January 1, 2008. *Vote taken; the motion passed with three votes.* Commissioner Rojecki was not present during the vote.

12. **Rules Simplification Project – House-Keeping/Clean-Up Package**

a) **Chapter 01 – About the Commission**

WAC 230-01-011 - Deadlines for submitting items to be included in the commission meeting agenda (*New Rule*) (*Please note: "New Rule" means the rule is a "new" RSP rule, rather than an RSP rule that the Commissioners previously passed. "New Rules" do not impose new requirements. The requirements are already found in current WACs or Rule Interpretations.*)

Chair Niemi noted that the Commission would approve these changes in groups, not individually.

Ms. Heston apologized for the condition of the packet, pointing out that it does not have a table of contents. Ms. Heston explained there were pagination problems, pointing out there were colored sheets inserted to further update this packet, and thanked Ms. Hunter for the salvation of this section of the rule simplification process.

Commissioner Bierbaum indicated that she had received a separate mailing and asked which packet she should be using. **Ms. Heston** responded that she should use the one in her agenda packet with the colored pages, along with the green copy of the agenda that lists all the amended and new sections. Ms. Heston explained the only change was moving deadlines for submitting items to be included in the Commission Meeting Agenda packet from the Hearings chapter to Chapter 01, About the Commission.

Commissioner Bierbaum made a motion seconded by **Commissioner Rojecki** to accept for filing and further discussion the renumbering of WAC 230-50-815 to WAC 230-01-011, as presented by staff, with an effective date of January 1, 2008. *Vote taken; the motion passed unanimously.*

b) Chapter 06 – Rules for All Licensees

WAC ~~230-03-001~~ 06-002 “We,” “our,” and “us” mean the commission and staff

Ms. Heston reported that staff felt that this rule should be taken out of the Licensing Chapter and moved into Chapter 06, which covers rules for all licensees. The introductory statement was changed slightly from ‘in this title’ to ‘in this chapter’ to cover all of WAC 230, not just Chapter 06 that the rule was in.

Commissioner Parker made a motion seconded by **Commissioner Bierbaum** to accept for filing and further discussion the renumbering of WAC 230-03-001 to WAC 230-06-002, as presented by staff, with an effective date of January 1, 2008. *Vote taken; the motion passed unanimously.*

c) Chapter 03 -- Licensing

230-03-050 Additional information required from applicants for licensing

230-03-051 Incorporated cities and towns exempt from some information requirements for application (Proposed Repealer)

230-03-085 Denying, suspending, or revoking a license or permit

230-03-175 Requirements for commercial stimulant businesses

230-03-180 Additional information required for a house-banked card room application

230-03-210 Applying for a gambling service supplier license
230-03-040 Signing the application

Ms. Heston reported that Chapter 03 was originally passed in March of 2006, and explained the changes made. WAC 230-03-050 changes were made to help with clarity. WAC 230-03-051 is being struck because at the time it was presented, staff were not aware that the agency is not allowed to issue raffle licenses or other licenses to incorporated cities and towns. WAC 230-03-085 had a section inadvertently dropped. WAC 230-03-175 was changed to make it clearer. WAC 230-03-180 was changed at the suggestion of stakeholders to add back in the requirement for a preoperational review and evaluation. WAC 230-03-210 was changed for clarity, noting that some language in this section would be reworded when the next version is presented to the Commission. WAC 230-03-040 is being removed because it references small towns getting licenses for gambling activities.

Commissioner Bierbaum made a motion seconded by **Commissioner Rojecki** to accept for filing and further discussion proposed changes to Chapter 03, as presented by staff, with an effective date of January 1, 2008. *Vote taken; the motion passed unanimously.*

d) **Chapter 05 – Fees and Chapter 06 – Rules for All Licensees**
WAC 230-06-035 - Offer no credit, loans, or gifts

Ms. Heston reported the changes to this rule were caused by the adopting of a rule petition, but no companion RSP rule was filed with it. Ms. Heston noted that the rule summary mistakenly states that it was Mr. Harmon's petition that was passed, but it was actually staff's alternative to Mr. Harmon's petition that was passed.

Commissioner Parker made a motion seconded by **Commissioner Rojecki** to accept for filing and further discussion WAC 230-06-035, as presented by staff, with an effective date of January 1, 2008. *Vote taken; the motion passed unanimously.*

WAC 230-05-001 - Prorating or refunding of fees

Ms. Heston explained this change was made to clarify who is eligible for a prorating or refunding of fees and added language allowing up to one year from license expiration to apply for that prorating or refund.

Commissioner Parker made a motion seconded by **Commissioner Bierbaum** to accept for filing and further discussion WAC 230-05-001, as presented by staff, with an effective date of January 1, 2008. *Vote taken; the motion passed unanimously.*

WAC 230-06-001 - Defining "Operator" (**Proposed Repealer**)

WAC 230-06-004 - Defining "consecutively numbered," "consecutive," and "consecutively"

WAC 230-06-010 - Age restrictions for players

- WAC 230-06-031** - Using wheels in promotional contests of chance, fund raising events, or gambling activities (New Rule)
- WAC 230-06-050** - Review of electronic or mechanical gambling equipment
- WAC 230-06-051** - Computation of time (New Rule)
- WAC 230-06-055** - Notify law enforcement of gambling activity
- WAC 230-06-065** - Display copies of all licenses or have them present on business premises
- WAC 230-06-071** - Washington state identification and inspection stamps to be called "I.D. Stamps" (New Rule)
- WAC 230-06-074** - Assistance required for commission inspections (*New Rule*)
- WAC 230-06-120** - Selling or transferring gambling equipment ~~to manufacturers or distributors~~ when no longer licensed
- WAC 230-06-110** - Buying, selling, or transferring gambling equipment

Ms. Heston reported there were several rules changed in Chapter 06 and briefly explained any changes. WAC 230-06-001 is being repealed because it is covered in other sections. WAC 230-06-004 is a new rule defining 'consecutively numbered,' 'consecutive,' and 'consecutively.'

Chair Niemi asked whether, if there are no questions from the Commission or the public on them, it was important to go through each one. **Mr. Ackerman** replied that the only proposed rules that need to be gone over individually are those that make substantive changes to the existing rules. To the extent that the changes being proposed here do not change the substance of the existing rules, that they are truly rule simplification measures, then, no, they don't need to be individually addressed. **Chair Niemi** asked whether these remaining Chapter 06 rules could be covered as one. **Director Day** thought that it would be appropriate to do them as one motion. Staff routinely identifies changes, for the record, when first introduced to the Commission. **Commissioner Bierbaum** added that what she thought Chair Niemi and Jerry Ackerman were saying was that if there are no substantive changes, it can be assumed the Commissioners read the entire package and Ms. Heston does not need to spend the time telling us what was already read.

Ms. Heston explained that, in this section, the only rule that needed to go on the record would be WAC 230-06-031, which was a rule interpretation that was missed, so it is an entirely new rule. The other rules in this section are largely housekeeping changes, and therefore could be passed over. **Mr. Ackerman** added a caveat that it was subject to the desire of any Commissioner wishing to discuss a particular rule; if there is no desire, the rules can be taken as a group.

Commissioner Bierbaum made a motion seconded by **Commissioner Rojecki** to accept for filing and further discussion amendatory sections to Chapter 06, as set forth in the agenda packet, with an effective date of January 1, 2008. *Vote taken; the motion passed unanimously.*

e) **Chapter 07 – Charitable and Nonprofit Organizations**

WAC 230-07-005 - "Licensees," "licensee," "organizations," and "organization" defined

WAC 230-07-106 - Insuring prizes (*New Rule*)

Ms. Heston reported that WAC 230-07-106 was a new rule that requires prize insurance be based on a flat fee or a monthly fee, not on a percentage of the gambling activity.

Commissioner Bierbaum made a motion seconded by **Commissioner Rojecki** to accept for filing and further discussion amendatory sections of WAC 230-07, as presented by staff, with an effective date of January 1, 2008. *Vote taken; the motion passed unanimously.*

f) **Chapter 09 – Fund-Raising Events**

WAC 230-09-056 - Activity reports for fund-raising events (*New Rule*)

WAC 230-09-120 - Disposable bingo cards.

Ms. Heston reported that WAC 230-09-056 was a new rule about activity reports that was missed during the original filing of the rule. The other changes are housekeeping changes.

Commissioner Bierbaum made a motion seconded by **Commissioner Rojecki** to accept for filing and further discussion amendatory sections to Chapter 09, as presented in the agenda packet, with an effective date of January 1, 2008. *Vote taken; the motion passed unanimously.*

g) **Chapter 10 – Bingo**

WAC 230-10-001 - Defining "Licensees," "licensee," "organizations," "organization," "operators" and "operator"

WAC 230-10-030 - Bingo card definitions

WAC 230-10-050 - Electronically generated bingo cards additional requirements

WAC 230-10-220 - Player selection bingo game card requirements

WAC 230-10-235 - Hidden face bingo game requirements

WAC 230-10-305 - Gift certificates as bingo prizes

WAC 230-10-310 - Selling gift certificates

WAC 230-10-330 - Activity reports required for agricultural fairs, Class A, B, and C bingo, agricultural fairs, and other organizations

WAC 230-10-331 - Activity reports for Class D and above bingo licensees (*New Rule*)

WAC 230-10-350 - Recording bingo winners

WAC 230-10-445 - Linked bingo games and prizes

WAC 230-10-446 - Operating linked bingo prize games (*New Rule*)

WAC 230-10-447 - Prizes in linked bingo prize games (*New Rule*)

WAC 230-10-451 - Recordkeeping for linked bingo prize games (*New Rule*)

WAC 230-10-456 - Additional accounting records for linked bingo prize providers (*New Rule*)

WAC 230-10-457 - Activity reports by linked bingo prize providers (New Rule)

WAC 230-10-390 - Disposable bingo card method for receipting bingo income required when disposable bingo cards used

WAC 230-10-420 - Ticket method of receipting bingo income.

WAC 230-10-440 - Combination receipting method for bingo income requirements

WAC 230-10-450 - Controlling gambling equipment by linked bingo prize licensees (*Proposed Repealer*)

Ms. Heston noted there were only two changes to Chapter 10 that need to be pointed out. WAC 230-10-235 is a new rule that was pulled during the discussion period because of questions about hidden-face bingo game requirements. The rule has now been correctly written and is being added back into Chapter 10. WAC 230-10-331 was overlooked and is being added into Chapter 10. WACs 230-10-446, 10-447, 10-451, 10-456 and 10-457 are a set of new rules having to do with linked-bingo prize providers, which were in the manufacturer's rules and staff felt they fit better into the bingo section. The other changes are all housekeeping.

Commissioner Bierbaum made a motion seconded by **Commissioner Rojecki** to accept for filing and further discussion amendatory sections to Chapter 10, as presented in the agenda packet, with an effective date of January 1, 2008. *Vote taken; the motion passed unanimously.*

h) Chapter 11 – Raffles

WAC 230-11-001 - "Licensees," "licensee," "organizations," and "organization" defined.

WAC 230-11-020 - Recording information on ticket stub

WAC 230-11-085 - Modified-pricing plans for tickets for members-only raffles.

Ms. Heston reported that all changes to Chapter 11 were housekeeping; there are no new rules.

Commissioner Parker made a motion seconded by **Commissioner Bierbaum** to accept for filing and further discussion rule changes to Chapter 11, as presented in the agenda packet, with an effective date of January 1, 2008. *Vote taken; the motion passed unanimously.*

i) Current Chapter 12 – Rules of General Applicability

WAC 230-12-230 - Agreements restricting freedom to buy and sell -- prohibited (*Proposed Repealer*)

Ms. Heston reported that only housekeeping changes were made to Chapter 12; there are no new rules. **Ms. Heston** noted that this chapter will later be entirely repealed. **Ms. Hunter** pointed out that the repealer for sections of WAC 230-12-230 is on orange paper. **Ms. Heston** pointed out that portions of this WAC have been repealed, but some portions were missed, so staff wanted to make sure the whole thing was caught this time.

Commissioner Bierbaum made a motion seconded by **Commissioner Rojecki** to accept for filing and further discussion amendatory sections to Chapter 12, as presented, with an effective date of January 1, 2008. *Vote taken; the motion passed unanimously.*

j) Chapter 13 – Amusement Games

WAC 230-13-169 - Activity report for commercial amusement game licensees (New Rule)

WAC 230-13-080 - Operating coin- or token-activated amusement games

Ms. Heston reported that WAC 230-13-169 was a new rule that was overlooked in the process.

Commissioner Bierbaum made a motion seconded by **Commissioner Rojecki** to accept for filing and further discussion the amendments to Chapter 13 as presented, with an effective date of January 1, 2008. *Vote taken; the motion passed unanimously.*

k) Chapter 14 – Pull-tabs

230-14-040 Maximum number of pull-tabs in a series.

230-14-220 Prize limits for carry-over jackpot pull-tab series

230-14-284 Activity report for punch boards and pull-tab licenses (New Rule)

Ms. Heston noted that Chapter 14 is largely housekeeping changes, except for WAC 230-14-284, which is a new rule because it was overlooked in the process. The other changes are housekeeping.

Commissioner Bierbaum made a motion seconded by **Commissioner Rojecki** to accept for filing and further discussion the amendments to Chapter 14, as presented in the agenda packet, with an effective date of January 1, 2008. *Vote taken; the motion passed unanimously.*

l) Chapter 15 – Card Rooms

WAC 230-15-035 - Requirements for authorized card games

WAC 230-15-126 - Cutting cards in center-dealt, dealer-dealt games

WAC 230-15-135 - Wagering limits for nonhouse-banked card games

WAC 230-15-141 - Additional merchandise or cash prizes for card games (New Rule)

WAC 230-15-475 - Tips from players and patrons to card room employees (New Rule)

WAC 230-15-300 - Using multiplex and quad recording devices in required surveillance

WAC 230-15-485 - Standards for electronic facsimiles of cards

WAC 230-15-491 - Limiting payouts to dealers for tip or "toke" wagers for odds-based payouts (New Rule)

WAC 230-15-520 - Requirements for fill/credit slips

WAC 230-15-535 - Closing tables

WAC 230-15-670 - Keeping a master key control box

Ms. Heston explained that WAC 230-15-141 is a new rule that covers additional merchandise and proprietary games. WAC 230-15-475 is a new rule that covers handling tips, who can have tips, and what must be done after receiving tips. WAC 230-15-491 is a new rule limiting payouts to dealers for tip or token wagers for odds-based payouts, which was overlooked. All other changes are housekeeping.

Commissioner Bierbaum made a motion seconded by **Commissioner Rojecki** to accept for filing and further discussion amendments to Chapter 15, as presented in the agenda packet, with an effective date of January 1, 2008. *Vote taken; the motion passed unanimously.*

m) Other Rules

WAC 230-14-075 - Substitute flares

Ms. Heston reported that WAC 230-14-075 is on blue paper in the agenda packet and are housekeeping changes. **Ms. Hunter** noted that this is the rule that should use the word 'sequentially.' **Ms. Heston** explained that in (6)(c), the last sentence 'consecutively' should be 'sequentially' and it will be corrected when filed and before being presented for final action.

Commissioner Bierbaum made a motion seconded by **Commissioner Rojecki** to accept for filing and further discussion amendatory section WAC 230-14-075, as presented by staff, with an effective date of January 1, 2008. *Vote taken; the motion passed unanimously.*

13. Rules Simplification Project – Hearings

a) New Chapter WAC 230-17 - Hearings Rules. *(This chapter won't become effective until 01-01-08.)*

Ms. Heston reported that the Table of Contents is inaccurate, but the material in the packet is correct. Ms. Heston asked whether the Commissioners wanted her to go through this chapter rule by rule or just hit the three rules where we have had some difficulty. **Chair Niemi** preferred hitting the three rules. **Ms. Heston** explained that some stakeholders were concerned that language was removed that duplicates RCW language, which is a practice done throughout the RSP process. If RCW language was duplicated, it was removed from our WAC rules, which is one of the reasons there are so many repealers in this chapter. On page 38, WAC 230-17-120 was mislabeled in your packet and should be WAC 230-17-035. On page 58, WAC 230-17-060 is another rule that stakeholders have commented on, and the subject matter experts in the review team were unable to reach a consensus. This rule is about official notice, and states the Commission or the presiding officer may officially notice. There was some talk about adding more language to subsection (5) on tribal compacts, but staff felt it was not necessary, although some stakeholders disagreed. On page 70, WAC 230-17-075 is the rule about protective orders; staff have taken out unnecessary restrictions and made a very broad rule without constraints on how or what can be protected. Stakeholders were not happy with the way the language was phrased and wanted to keep some of the detail.

Staff felt the broader the rule was, the more protection it provided. The rest of the changes were not contested by stakeholders.

Chair Niemi asked if there were any questions or public comment; no one stepped forward. **Ms. Heston** noted there has been some stakeholder interest in having this Chapter on the agenda for three months, as opposed to the new system where the second month of discussion goes just to the study session; although, no formal request has been received. **Chair Niemi** agreed to have the discussion placed on the September agenda. **Commissioner Bierbaum** said her reaction to the deletion of the forms was the same as the stakeholders, that as a practicing attorney, she loves forms; and to have them provided in the appellate rules, or wherever, is great, but we will be able to discuss that later. **Chair Niemi** agreed that she also liked forms.

Commissioner Bierbaum made a motion seconded by **Commissioner Rojecki** to accept for filing and further discussion Rules Simplification Project Chapter WAC 230-17, as presented by staff. *Vote taken; the motion passed unanimously.*

14. Repealer of Current Rules Manual

- WAC 230-02 - General provisions and definitions.
- WAC 230-04 - Licensing.
- WAC 230-08 - Records and reports.
- WAC 230-12 - Rules of general applicability.
- WAC 230-20 - Bingo, raffles and amusement games.
- WAC 230-25 - Fund-raising events.
- WAC 230-30 - Punch boards and pull-tabs.
- WAC 230-40 - Card games.
- WAC 230-46 - Unlicensed activities.
- WAC 230-48 - Tribal casinos.
- WAC 230-50 - Hearings – Practice and procedure.
- WAC 230-60 - Public records – Disclosure.

These repealers won't become effective until 01-01-08.

Ms. Heston reported that these will be repealed effective January 1, 2008 and the new rule simplification rules will become effective simultaneously.

Chair Niemi asked if there were any questions or public comment. **Commissioner Bierbaum** asked why these are not done closer to the end of the year; what if we adopt this next month and we're not done? **Ms. Heston** responded that it was because of the deadline that was set for rules simplification to be finished; in order to get everything to the printer, the rules have to be adopted by the October meeting. **Commissioner Bierbaum** said that made sense.

Commissioner Bierbaum made a motion seconded by **Commissioner Rojecki** to accept for filing and further discussion repealed WAC Chapters 230-02, 230-04, 230-08, 230-

12, 230-20, 230-25, 230-30, 230-40, 230-46, 230-48, 230-50, and 230-60, as presented by staff, effective January 1, 2008. *Vote taken; the motion passed unanimously.*

Ms. Heston thanked the Commission for giving her a chance to do this great project, stating it had been a pleasure working with everyone. **Chair Niemi** returned the thanks.

15. Other Business/General Discussion/Comments from the Public/Adjournment:

Senator Delvin explained he was passing out a letter he sent to Director Day at the Lacey street address and then found out that mail is not delivered to the street address. Senator Delvin had hoped the Commission would have the letter before this meeting so it could be discussed. Senator Delvin said he knew how much this ZDI/pull-tab issue was costing on one side because they are asking for that to be restitution, and he assumed, having some familiarity with lawsuits, that probably if one side spends that much, the other side splits that much too. Senator Delvin's concern, and the purpose of the letter, was to make the point that he thought we were spending a lot of resources where we ought to look at some way to make this thing work in the sense of having this new technology, because it is new technology that can possibly help with pull-tab sales. Senator Delvin knew his local districts were losing out on revenue because of the decline in sales of pull-tabs, and certainly the Gambling Commission loses revenue on the decline of those sales. Senator Delvin thought if there was a way, although the suggestion was awkward that he heard, that the agency could create a new licensing structure just for these types of machines so there is no debate about other gambling machines and devices. Senator Delvin said he would like to see us try to work this out, possibly with some kind of sit down meeting, instead of spending more resources through the court, which in the end is a loss. Senator Delvin thought this was a way to increase the revenue for our local governments with increased sales of the pull-tabs and also with the Commission.

Chair Niemi called for public comment.

Jay Gerow, ZDI Gaming, testified that one thing that really concerned him was why we have ongoing litigation, which has not quite been resolved but is getting close. Mr. Gerow said he talked about it in the study session meeting yesterday. What we are talking about is all of a sudden rolling back ten years of history and repealing a WAC that has been in effect for the past ten years and has not harmed the public in any way, shape, or form. Mr. Gerow asked the Commission why they are going there, why they would propose the repeal; what is the issue that has happened, since there has been no harm to the public?

Melanie Keser, President and owner of ZDI Gaming, testified that the machines that they currently have operating are really just the ticket verification system, which has greater control, better security, and less room for theft and fraud, which are all the things the Commission strives to protect the public. It is the number one mission statement; it is the first thing Ms. Keser saw on the screen yesterday when the meeting opened – so we are just asking why.

Commissioner Bierbaum asked whether Mr. Gerow and Ms. Keser were aware that the Commission does not have a rule change proposal in front of it today. **Mr. Gerow** replied that they understood that; however, it was proposed to them that this would be coming at next month's meeting. **Commissioner Bierbaum** agreed, adding that she thought it was premature to start having an informal discussion; there will be lots of time to engage in back and forth. The Commission has not even seen the rule, but suspect we will have a lively discussion if and when the rule finally does come up for discussion. The Commission would be able to respond better to your 'why' questions when the rule proposal is formally before them.

Chair Niemi agreed that when the Commission has a rule, it will be discussed, suggesting that if the Commission has not explained why at that time Mr. Gerow could certainly come back and again ask us why. The Commission cannot explain a rule change it has not seen.

With no further business, **Chair Niemi** adjourned the meeting at 3:10 p.m., and noted the September 13-14 Commission meeting would be held in Yakima at the Hilton Garden Inn.

Minutes submitted by,

Gail Grate
Executive Assistant