

**WASHINGTON STATE
GAMBLING COMMISSION MEETING
THURSDAY, JULY 14, 2011
APPROVED MINUTES**

Chair Ellis called the Gambling Commission meeting to order at 1:02 p.m. at the Washington State Convention Center in Seattle and introduced the members present and welcomed our newest ex-officio member, Representative Timm Ormsby from Spokane.

MEMBERS PRESENT: **Commissioner Chair John Ellis**, Seattle
 Commissioner Vice-Chair Mike Amos, Selah
 Commissioner Keven Rojecki, Tacoma
 Representative Gary Alexander, Olympia
 Representative Timm Ormsby, Spokane
 Senator Jerome Delvin, Richland

STAFF: **David Trujillo**, Deputy Director
 Mark Harris, Assistant Director, Field Operations
 Tina Griffin, Assistant Director, Licensing Operations
 Amy Hunter, Administrator, Communications & Legal
 Jerry Ackerman, Senior Counsel, Attorney General's Office
 Michelle Rancour, Administrative Assistant

AGENDA ITEMS WERE TAKEN OUT OF ORDER

Chairman John Ellis explained that a number of items were eliminated from the original agenda due to time constraints.

Chair Ellis welcomed Senator Steve Conway who is very familiar with the Commission. In his role as a Chair of a House Committee he was responsible for most of the oversight of the Gambling Commission work.

1. Agenda Review:

Deputy Director David Trujillo reviewed the agenda, and noted there were several staff requested changes. He suggested the Director's Report be moved to follow the Petitions for Rule Change, and the mid-program report from Assistant Director Mark Harris updating the Texas Hold'em Pilot Program would directly follow if time allowed. He commented this would be Director Day's first Commission meeting in ten years that he has missed.

Chair Ellis agreed with those suggestions and stated if we lose our quorum before we get to the Texas Hold'em update, he may ask Assistant Director Harris to present his report at the August meeting. Chair Ellis thought it was a very important issue

and he suspected the public would like to hear any discussion that comes up concerning the results of the Pilot Program for the increased bidding limits for Texas Hold'em.

Deputy Director Trujillo thought that may be a better way to go, include the written report today and have Assistant Director Harris present the update at the August Commission meeting. Deputy Director Trujillo reported that this will be Assistant Attorney General Bruce Marvin's last appearance before the Commission in his capacity as he has accepted an assignment where he will be continuing with the Attorney General's office, but with the Education Division. He stated AAG Marvin has been representing staff for a very long time and staff wishes him well.

Chair Ellis thanked AAG Marvin for the diligent efforts that he had made on behalf of the Commission staff for over five years.

Assistant Attorney General Marvin thanked Chair Ellis and noting it had been a pleasure working with him and the rest of the Commission.

Deputy Director Trujillo reported the Petition for Review from Robert Yan has been rescheduled to the September Commission meeting even though that would be beyond the 120 days. Mr. Yan requested this change in writing that his petition be heard at the September meeting instead of Vancouver in August. Deputy Director Trujillo asked the Commissioners for their approval.

Chair Ellis asked the Commissioners for any objections, there were none. The Petition for Review for Robert Yan would be moved to the September meeting.

Deputy Director Trujillo added there were two defaults that had been rescheduled as well.

2. Motion to Vacate Default Order – Ben Zeng, Card Room Employee, Revocation

Assistant Attorney General Bruce Marvin was present for the State, as well as **Petitioner Ben Zeng** representing himself. Mr. Zeng was also accompanied by his **interpreter, Mr. Thomas Wu**.

AAG Marvin and **Mr. Ben Zeng** provided their statements in the Motion to Vacate the Default Order. A recording and transcript of the hearing is available upon request.

At the conclusion of the arguments, **Chair Ellis** asked if there were any questions and called for an executive session at 1:35 p.m. to deliberate the matter; he recalled the public meeting at 1:45 p.m.

Vice-Chair Amos made a motion seconded by **Commissioner Rojecki** to deny the Motion to Vacate the Default Order. *Vote taken; the motion passed with three aye votes.*

Chair Ellis commented he thought Mr. Zeng probably realized that gambling is very strictly regulated and the Commission is responsible for ensuring that when someone commits an act such as using insufficient fund checks, that it is very difficult to justify having the person continue in the industry, particularly with a gambling problem. There is really no defense here to the revocation of the license, or excuse for not having responded to the revocation proceeding. But if Mr. Zeng seeks treatment for his problem gambling and re-applies for a license, if he can show that he is qualified at that point, perhaps the Commission would view that favorably. Chair Ellis thanked the interpreter.

3. Petition for Review – Austin Moses, Class III Employee, Revocation

Assistant Attorney General Marvin reported that Mr. Moses and he conferred earlier in the day and reached a stipulation with regard to revising Mr. Moses' final order. AAG Marvin proposed an order that is similar to earlier cases. Mr. Moses had court ordered fines and fees that had added up to a fairly significant amount. The initial order that was issued by the ALJ determined that Mr. Moses' license should be revoked. Since that initial order was issued, Mr. Moses has made substantial payment on his fines and fees, and has brought those down by approximately \$1,100. Mr. Moses will enter into an agreement with the courts and continue to pay down his fines and fees over the next year. The stipulation provides that, if it is acceptable to the Commission, the ALJ's findings of fact, conclusions of law would remain in place. Rather than having Mr. Moses' license revoked at this time, a seven-day suspension would be imposed, which would be served upon Mr. Moses' receipt of the order. The Commission would revisit this a year from now to determine, and ensure, that Mr. Moses is complying with his agreement and continuing to pay down his fines and fees. If it was felt he was holding up that end of the bargain, a year from now the case would be closed and finally resolved. If he was not engaging in the agreement or was not following through on that, then the initial revocation would come back into full effect. AAG Marvin had the document with his and Mr. Moses' signatures.

Chair Ellis asked if this stipulation was agreeable to Mr. Moses. Chair Ellis emphasized the fact that, in addition to making timely payments on the amounts that Mr. Moses owes to the various courts, during the one year period Mr. Moses cannot have any violations of gambling-related statutes or regulations without being subject to the revocation of his license immediately. **Mr. Austin Moses** replied he understood.

Chair Ellis asked if there were any questions; there were none.

Commissioner Rojecki made a motion seconded by **Vice-Chair Amos** to accept the stipulation as agreed to in case 2010-01385, Austin L. Moses. *Vote taken; the motion passed with three aye votes.*

5. **New Licenses and Class III Certifications** (*Taken out of order*)

Assistant Director Tina Griffin reported there were two pre-licensing reports; one for a house-banked card room and one for a manufacturer, and no other unusual items of note.

Commissioner Rojecki made a motion seconded by **Vice-Chair Amos** to approve all **New Licenses and Class III Certifications** listed on pages 1 through 33. *Vote taken; the motion passed with three aye votes.*

7. **Petition From the Public – Robert Bearden** – Cutting License and ID Stamp Fees in Half for Charitable Licensees

- a) Amendatory Section WAC 230-05-020 – Fees – Bona Fide Charitable and Nonprofit Organizations
- b) Amendatory Section WAC 230-05-030 – Fees for other Businesses

Ms. Amy Hunter reported this is one of five petitions submitted by Mr. Bearden, who is representing various licensed and unlicensed charitable and nonprofit organizations. Three of the five petitions are on this month's agenda; one was removed that dealt with machines, and one was held over to the September meeting. A stakeholder letter was sent to manufacturers, distributors, and posted on the agency website. Staff received 16 responses opposed to the rule dealing with reinstating the rules. Staff received ten letters or e-mails in support of reducing the fees, and one against. Staff has received seven responses in support of the rule change dealing with the electronic bingo daubers.

This petition deals with decreasing the license fees and the ID stamps for charitable and nonprofit organizations by 50 percent. Staff did some additional calculations after this went to print. The rule summary states this would be a reduction of license fees of about \$350,000 a year, which should actually be \$463,000 a year. The reason for the difference was that the \$350,000 only included bingo and pull-tabs. But charitable and nonprofit organizations are able to do a number of other activities like raffles, fund raising events, amusement games, and social card games. With those six activities grouped together, the total amount is \$463,000.

The rule summary includes information that staff felt was relevant as the Commission made the decision on whether to file the petition or not. The petitioners met with the agency rules team, which includes field agents, licensing staff, and four members of the leadership team who rotate monthly. Staff invites the petitioners to come to those meetings to explain more about their request and why they are making it. Mr. Bearden and three other people involved with these petitions came and passed along what they thought were a couple of ways the Commission might be able to deal with the lack of funds if the fees were reduced by 50 percent. One of those suggestions was to reduce the number of annual inspections the agency conducts, and the other idea was using personnel that were less costly, like staff that did not go to the basic law enforcement academy. The Commission is a limited jurisdiction law enforcement agency, so all of our agents attend the academy.

Under powers and duties, Commissioners are required to set fees that generate all the funds necessary to cover the cost of licensing and enforcement. The Commission is a non-appropriated agency, so everything that staff has for revenue has to cover the cost of doing business. Initiative 960 requires that fees be approved by the Legislature. Initiative 601 put a limit on how much an agency could increase fees. Those are two things that are part of the fee structure. In the last ten years, the Commission has increased license fees three times. Historically, when fees have been increased, they were typically increased on both charitable and commercial activities. There are no current plans to increase fees until at least fiscal year 2014. For the benefit of our legislative members, staff realizes that would be a request that would have to go through the Legislature first. The license fees are based on the gross gambling activities for each type of gambling. The idea is that as an organization's gross receipts increase, its fees will increase. If a licensee had the smallest bingo license that is issued, the cost is \$58 a year. If the licensee is an organization that is grossing millions of dollars for gambling activities, then the licensee would be paying a license fee that was in the neighborhood of \$10,000 to \$15,000. The more licensees gross, the more licensees pay for fees.

ID stamps are purchased from the Gambling Commission and are placed on products by the manufacturers. The petitioner felt the cost of ID stamps was passed on to them, so the petitioner is asking that those fees be reduced. Staff explained it seems that would be a simple change, but because of the way the stamps are issued a manufacturer does not know that when they sell their games to the distributor they go out with the stamp on them. The distributor does not know who that game is ultimately going to be sold to, so the Commission would have to create a dual system to be able to make sure those stamps are only going out on the products that were made for charitable organizations. The system is not currently set up that way.

This would decrease the fees by half, which is probably the easier part of this proposal. Staff does not know whether decreasing the ID stamps would translate to any type of savings for the charitable and nonprofit organizations because the manufacturers and distributors would have to come up with some new tracking system. This could have a positive impact on the organizations themselves because it should increase the amount of money they would have available for other purposes. If their fees are 50 percent less than what they are now, then that 50 percent should be going back to other purposes. Ms. Hunter said she did not think anyone would doubt the good works that charitable organizations do and what they provide to their members and to the public.

If this proposal were passed, the Commission would not be able to meet its licensing and enforcement mandates at the current level. A decrease in fees for the Commission of over a half million dollars would equate to having to cut at least six positions, which is probably a conservative number. The Commission does have the legislative mandate of strict regulation and control. Several examples of what the Commission is constantly doing to streamline processes include; examining risk, significant mail, and making sure the Commission is utilizing its resources and regulatory program where risks are seen. For

example, a review that used to take 40 to 50 hours to conduct every year now takes staff 10 to 15 hours a year. The Commission also has modules in place and a timeline for inspections, which are reviewed every three years. The most significant changes to those modules took place in 2001.

Although the idea of reducing the number of annual inspections a year sounds like a simple approach; in the last five years the Commission had almost 30 criminal theft cases totaling more than a quarter million dollars allegedly taken from charitable and nonprofit organizations. Typically strong internal controls decrease the likelihood of thefts. That is something that staff routinely talk to the licensees about when they are performing inspections, whether on a high level review or a low level review. Staff has opened over 500 cases in the last five years, which could include everything from a verbal warning to a statement of charges. Staff responds to all complaints, and in the last three years staff had about 80 complaints pertaining to both licensed and unlicensed activities.

The license fees must cover the cost of licensing and enforcement, all of the activities for which the Commission is responsible. That includes unlicensed activities and illegal activities; the license fees are not meant to cover only the agency's cost for each licensed activity. Seven RCWs that exist now require the Commission to perform certain duties, making sure that the charitable/nonprofit organizations meet certain requirements, and that they prevent certain activities. The money really needs to get back to the purposes of the organization. Staff felt that if the agency were to decrease the fees by 50 percent, it would call into question whether the agency was really following the legislative mandate of strict regulation and control. That is the same if the agency were to decrease the program significantly, which would have to happen if it suddenly had a loss of over a half a million dollars.

Ms. Hunter said some of the history that went into the 2004 charitable/nonprofit study by Sally Perkins were several bingo studies, or charitable/nonprofit studies that showed it would become difficult for organizations to meet their minimum thresholds and then they would need assistance. The Commissioners at the time thought it would be a good idea to have an outside person look at this whole area and collect the data. It is a fairly lengthy report and included a few findings that might be helpful to put the whole perspective into context for licensees of the charitable and nonprofit industry.

Chair Ellis remembered the report which he thought was published in 2004 before he joined the Commission in 2005. He also recalled various times that ways to alleviate the financial burden on the bingo operations was considered, as well as other charitable and nonprofit gambling operations.

Ms. Hunter reported staff recommends denying the petition based on the policy resource and regulatory considerations in the rule summary.

Chair Ellis asked if the Commissioners had any questions.

Commissioner Rojecki asked if there was any discussion in dealing with the interest groups as far as 50, 20, and 30 percent. **Ms. Hunter** replied staff did not get into that, explaining that once staff receives the petition for a rule change there are required time frames to bring the petition before the Commission. Commissioners were given a detailed report, which contained a letter that was sent to Senator Conway in April explaining more about the cost of regulating the industry. So the idea of saying fewer fees would help did not seem like something the agency should be offering back because there was already a shortfall with the cost of regulation versus the fees that are brought in.

Chair Ellis was curious about that exact point. Using the original figures that were included in the materials before the business office adjustment: the \$350,000 figure, assuming that was 50 percent of another number, obviously the other number is \$700,000, which is what the total fees would be at this time. He asked if the fee total at this time was twice the \$463,000 number that was in use. **Ms. Hunter** affirmed. **Chair Ellis** asked if the total of \$926,000 was correct. **Ms. Hunter** replied that her note from Mr. Dightman in the business office showed \$925,500. Divided by two, that roughly amounts to the \$463,000, plus the additional ID stamps.

Chair Ellis indicated that the annual cost of field operations and licensing operations work as presented in the reports included in the materials is \$1.2 million. That was a sizeable gap to be addressed. He thought that the analyses that were done by staff and the information presented by the petitioners was very impressive, and very, very helpful. Obviously there are some very important issues here. Commissioners have been keenly aware for years of the significance of the charitable work done by these organizations and the community benefits that flow from it, and also the very difficult time that bingo, as well as pull-tab and punchboard operations, have under the current climate. But they have had problems long before the state entered the recent recessionary period. Chair Ellis recalled that back in 2000, the total net receipts for bingo operations in this state were \$41.2 million, and last year they were \$10.7 million. There has been a 75 percent decline in their net revenues causing difficult times for these organizations. He was glad to see that ways to address those problems were being carefully considered by the staff, as they have been for many years. They are tough issues.

Chair Ellis asked Mr. Bearden if he would like to come forward and speak in support of his petition.

Mr. Robert Bearden, First Commander for AM Vets of the state of Washington, explained he was representing about 1,500 people, members, and auxiliary; that he was just their facilitator. Mr. Bearden thanked Commissioners and staff for allowing him to speak at this meeting, and also working with the rules committee to hopefully clarify some of their things. Mr. Bearden stated the Commissioners had one other negative comment; he had two more positive ones in regards to the issue. He wanted the Commissioners to know that there are people out there that truly believe that the charitable organizations are out there doing

something for their community, just as was mentioned earlier. When we addressed the rules committee in trying to define some of these things, a couple things had been discussed with some of the staff. During his presentation he asked for the Commission's indulgence to allow other people that are specialists to speak, especially if the Commissioners had questions. Charities do a tremendous amount of work for the community, for their neighbors, for the state, that the state would have to pick up if the charitable organizations were not helping to support them. Mr. Bearden asked the Commissioners to consider reducing the fees associated with the license and stamps on bingo machines only. There was a little misunderstanding, because each stamp is \$100 a piece for each handheld bingo machine. So that's important. That can get expensive. But because this is not a for profit organization, we turn that money back around and give it to our community. We don't keep it. Only a certain percentage, as required by the IRS, has to be given out. Forty to 60 percent, no less than 40 percent, and recommended 60 percent by the IRS, goes back into the community, or goes back into the organizations that they are supporting. The money is not going into the pocket of stockholders; it is for the community.

The petitioner had been asked by the rules committee how they got the 50 percent number. In response to Commissioner Rojecki's question if there were any discussions about alternative numbers, and we said it is a number that we chose after considering asking for 100 percent, asking for 80 percent, 75 percent. We picked 50 percent because that is something that we thought the agency could actually do this year in the time of their need, which is scrambling for what they're getting too. We understand that. We don't want to not contribute. We want to be part of the solution, not the problem. And that's why that 50 percent number was chosen. And it turned into apparently something that was locked in stone. But it is not, because that number is basically a compromise. That's the reason it was chosen. Mr. Bearden wanted to bring that to the Commissioners attention.

In speaking for the license fees, you'll see in your paperwork that was submitted by your administrative team, everything is just divided by two. They could have said (inaudible) divided by two, and that is exactly what the figures are that the Commissioners have in front of them, it is 50 percent. That is what the petitioner is asking. Mr. Bearden said he did not believe anybody here, with maybe the exception of that one person who submitted that no charity shouldn't get 50 percent, would probably disagree that charities should have a break. The 50 percent is up for discussion. We think it is a fair number, which is why we asked for it. A lot of people who turned in these positive letters say that is a fair number to ask for. Half of what is being collected in the commercial category. Mr. Bearden asked if Commissioners had any questions in this category.

Vice-Chair Amos noted that in their paperwork, it says an ID stamp for an electronic bingo card is \$11.19, but Mr. Bearden just said it was \$100. **Female Voice** from audience responded it was \$10. **Mr. Bearden** replied the Commission had the correct figure of \$11 for a handheld machine. **Vice-Chair Amos** asked if the stamp was good for one year. **Mr. Bearden** affirmed it is a yearly fee. And it depends on the size of the facility and the usage rate. The ID Stamps could be leased, or bought. Organization may have 10 of them, or they

may have 300 of them. But charities are the only ones, outside of the tribes, that can do bingo. We are talking specifically about bingo here and that is a direct rate for the charitable organizations. **Vice-Chair Amos** asked how much they cost. **Mr. Bearden** replied the machines are not bought; they are rented. **Vice-Chair Amos** asked how much the rental was per year, and did the stamps come from a distributor. **Mr. Bearden** asked one of the managers in the audience to respond on how much the leasing fee, or the rental fee, was for the handhelds.

Ms. Carolyn Buchanan; Gateways Bingo in Lakewood, Washington, explained each business pays different fees. They are under contract with the different distributors that have these machines. In her bingo hall, she has colored machines and she has black-and-white machines. She is being charged \$1.25 for her black-and-whites per machine, per use, and \$2.00 a machine for her colored machines each use, each session, each week, each month. They average, just on their rental fees, about \$3,000 a month that is paid to their distributor for the use of those machines.

Vice-Chair Amos asked how much Ms. Buchanan charged a patron to rent one. **Ms. Buchanan** replied they do not, per se, charge. They put a limit on a minimum the customers can put in the machine. In her hall, customers have to put at least 24 cards in their machines in order to play a machine, which is \$20 minimum that customers have to spend. If a customer is playing a colored machine, \$2 of that \$20 goes right back to the distributor.

Ms. Vicki Satiacum AM Vets Post 1, explained they have different prices including a sit down machine that could cost them \$8 for a customer to play, and the little hand units that cost them up to \$3.

Chair Ellis asked how much each of those machines cost the customer to play. **Ms. Satiacum** replied it was a minimum of \$20.

Mr. Bearden asked the Commission to bear in mind also that charitable bingo cannot do a lot of things that other gambling might be able to do such as advertise, run specials, this kind of stuff. It's just straight black-and-white bingo, outside of the funny games that they play with the various balls. But they cannot advertise because the cost is too prohibitive. They need that money to go into the programs that they support. They cannot offer ladies night, or guys night, or any of that kind of stuff. That is totally illegal. So they cannot have promotional programs. This is pretty basic, and that is the reason they are asking for assistance from the Commission.

Chair Ellis said the Commissioners appreciated that, and understood the difficulty the industry faces. It has been going on for some years, and the Commission has made extensive efforts to help the organizations address those issues. He recalled Mr. Bearden had mentioned their industry needed a break. **Deputy Director Trujillo** thought Mr. Bearden's statement to be incorrect. **Assistant Director Mark Harris** clarified there were

no prohibitions on advertisements. They can advertise and they can offer gambling promotions, just like any other gambling activity can; like card rooms.

Chair Ellis thought Mr. Bearden was indicating that the costs were prohibitive for advertising, at least some forms of advertising, as opposed to a legal prohibition. **Assistant Director Harris** replied he could not comment on the costs, but they are authorized to offer other gambling promotions in conjunction with the bingo activities. **Mr. Bearden** responded there seemed to be some information that he did not believe was correct. He thought their programs had been working under the impression that it was illegal. And at one time he remembered seeing something vaguely familiar about it, but he honestly thought that it was prohibitive to do specialized programming. The only thing they can really accommodate is for those who are handicapped to make some kind of accommodation for them.

Chair Ellis asked if Mr. Bearden was referring to ladies night or that kind of approach. He commented that promotions are certainly common in commercial industries. **Mr. Bearden** affirmed. **Assistant Director Harris** indicated that was the case for nonprofits too. He suggested they could touch base after the meeting and see if staff could assist them in the right direction. Nonprofits can also do some activities that the for-profits cannot do, like use spinning wheels in conjunction with their activity. **Chair Ellis** replied he thought Mr. Bearden's basic point was that it is hard for their organizations to make a lot of money, which the Commissioners know is right. **Mr. Bearden** pointed out some of the data that was used in the information before the Commissioners was a decade old. In the 2003/2004 survey that Ms. Hunter referred to, bingo had changed significantly in ten years. He thought Chair Ellis brought up that from \$42 million down to \$10 million last year, while prices of everything they have to purchase continues to rise. The cost of doing business and everything else rises. Once again, these are just factors that got behind the whole idea of asking for this percentage of reduction in license fees and staff fees.

Chair Ellis added, as Mr. Bearden said, their organizations are hoping to get a break. Chair Ellis pointed out they have gotten a lot of breaks over the years from the Commission, and staff has certainly been taking this seriously in talking about it with Mr. Bearden, and with Senator Conway's involvement. Commissioner Rojecki's adjustment of the numbers of the total revenue that the organizations brought in last year showed \$84 million, which was 15.1 percent or \$84 million of the total of the industry, not just the charitable/nonprofit, but everything except tribal casinos. 15.1 percent on the revenue side and only 6.9 percent on the fee side. So they are getting a break.

Mr. Bearden stated they know they are losing. Just this week another charitable bingo parlor went down on the eastside, and they continue to do so. As you all know, we started off in 1996 of having something like 460 bingo parlors in the state and are now down to 124. So there is some truth behind maybe it is a dying industry. But the question is how fast the Commission wants them to die. Until they can find something to change, or to make something maybe charitable specific that will help out the charities.

Commissioner Rojecki noted that, obviously, these charitable/nonprofits are good for the community. He asked Mr. Bearden to describe some of the things that are provided for the community with this money. **Mr. Bearden** responded he could explain what the American Veterans support. Everybody else chooses another type of support, whether it is for the homeless, whether it is for the food banks, whatever. AM Vets Post 1 actually is involved in a number of projects. From food baskets on Thanksgiving and Christmas, to food bank donations every three weeks, to the Wounded Warriors Program at Fort Lewis-McChord, participating in their events, sending them money, buying them some exercise equipment that the military would not do outside their programs. They provide money, clothes and food to the veteran's homes at Orting and at Retsil. They have people that go out and buy equipment for bingo at American Lake. And they are probably running that illegally, by the way.

Chair Ellis warned Mr. Bearden this is on the record. **Mr. Bearden** responded he understood, but these are some of the things American Veterans support.

Commissioner Rojecki asked if Mr. Bearden did all this with the proceeds they receive directly from bingo, and was it their only revenue source. **Mr. Bearden** replied yes, and it supports the membership, which are all veterans or veterans' families. They pay up to \$2,500 a month to the service office and their staff to perform free claims processing for veterans for service-connected disabilities.

Chair Ellis asked if the Commissioners had any questions; there were none. He called for public comments.

Senator Steve Conway representing the 29th Legislative District in Tacoma, Chairman of the House Commerce and Labor Committee wanted to come forward in support of maybe a 50 percent reduction. As Commissioners heard Mr. Bearden say, they are just looking for help here. The petition had to specify something, so it specified a 50 percent reduction. His concern for some time was to ensure that the fees reflect the need, or the purpose of our statutes. The world of gambling has changed dramatically in the last decade. And it seems to him, given that fact, the Commissions statistics about bingo kind of demonstrates what the issue is here. Special attention needs to be paid to the kind of fees being charged. An important part of the Gambling Commission's purpose is to protect the public. He believed that what has been missing to some extent – and he was not sure whether this needed to be done on the legislative side; he was talking here to the legislators who are part of the Commission – or on the Commission side to ensure the fees are being used for the purposes intended. In other words, the level of enforcement and oversight is equal to what has changed in gambling in the state. Senator Conway guessed what he would appeal to Commissioners on is 50 percent or \$450,000, and no one here wants to reduce the level of enforcement. The level of enforcement needs to be commensurate with the public good, ensuring that the Commission is looking at these activities of the nonprofits. As

Commissioner Ellis knows, at one point there was a time when nonprofit gambling was the center of gambling in this state. Of course all that has changed.

As Chairman of the Committee, he sees people continuously coming forward and saying wait, the picture of gambling here is changing but our fees have not changed. Certainly he had sent many letters to the Gambling Commission, and to the Director. He has had several conversations through the years on this, but he hoped that Commissioners do not terminate the dialogue on this issue because he thought it was critically important for the Commission to make sure that the fees they are charging these very important nonprofits in our communities are commensurate with the activity that nonprofits are currently involved in. Because he thought in a changing world, the state needs to look at that carefully. Of course the state could probably say that about many of the fees charged. He knew that Representative Alexander has had many discussions on the floor about fees. And frankly it is not only in this area of gambling, it is in the area of liquor as well. We have to ensure that our fees are commensurate with the enforcement activity that the people are paying for. And he thought that this is what the Commission needs to be looking at. He planned to continue a review of these fees on the legislative side because he thought it was important that the state not tax this activity to death so that it does die because it is so important to our community. He thought that the Commission had an obligation here to work to ensure that these important nonprofits are encouraged to continue their work and that the Commission find the appropriate level of oversight and enforcement. The Commission needs to be stewards of this system. Not to criticize the agency, or the Gambling Commission, in any way, because they are obligated by statute to ensure that their enforcement activities are fully paid for. The issue here is what level of enforcement does the state need in this changing world of gambling. He urged the Commission to keep this issue alive to help the nonprofits in these very difficult times because they are performing very important functions in our community.

Chair Ellis thanked Senator Conway.

Mr. Ric Newgard, Seattle Junior Hockey and Washington Charitable and Civic Gaming Association, commented that when the Commissioners mentioned the one chart that shows a percentage of the gross in the gambling and the percentage of the enforcement dollar, he wanted to make sure it is clear that when they report and their license fees are regulated, they are charged on a gross. But remember, their gross is before they give the money back to the customers, but the rest of the industry, their reporting numbers are their drop, or their net, after the money has gone back to the customers. So it is a little bit skewed because they report the money they take in before they give back to the customers. Card rooms and the other industries do not really have a number as a gross sales because money is coming in, and money is going back out, so others report what they drop. Seattle Junior Hockey's drop would be after prizes are paid. They report actually on what comes through the registers before they give it back to the customers. So it is kind of a skewed number. He wanted to make sure there was a point of clarity. Because it might be a little confusing.

Chair Ellis thought maybe the general principle is that the financial figures that the public is familiar with in the pie charts represent net revenue, which is gross revenue minus prizes. He asked if Mr. Newgard was saying that this applied differently in context as opposed to a card room. **Mr. Newgard** affirmed their license fees are based on gross sales, which is before they give the money back to the customers. **Chair Ellis** clarified, before the prizes. **Mr. Newgard** replied, yes, before the prizes are given back to the customers; just like the lottery. A huge part of what they take in goes right back to the customers, otherwise there would not be anybody that would play the game. In his industry, approximately 75 percent of the money goes right back to the customers, yet they are regulated and charged on their gross dollar. He just wanted to make that point of clarity. **Chair Ellis** thanked Mr. Newgard for that clarification.

Mr. MJ Durkan, Muckleshoot Tribe, explained they had an unofficial inquiry as to their position on this matter. The Tribe has not had time to take an official position on it. They are willing to look at different avenues to perhaps shift the burden away from the nonprofits towards maybe the for-profits. He could not speak for the card rooms or the other tribes, but he thought they were certainly willing to sit down and take a look at perhaps other ideas to soften up the taxes and licenses. We have all sat through the budgeting earlier in the year, or late last year. The staff totally scrubbed the Commission's budget and there is really not any room for any additional cuts or loss of revenue. Perhaps there is an accounting way that the nonprofits could use their future revenues that came in – the impoundment account – to buy down their license fees, or something of that nature. But he thought the Commission could be creative on it. The Tribe is willing to work with the Commission on that.

Commissioner Rojecki made a motion seconded by **Vice-Chair Amos** to accept for filing and further discussion proposed amendments to WAC 230-05-020 and WAC 230-05-030.

Chair Ellis asked if there was any discussion of the motion.

Commissioner Rojecki replied he wanted to reiterate, and he thought Senator Conway probably said it more eloquently than he could, if it is not 50 percent, then the Commission needs to look at something. It may not necessarily be an exchange of money, but at least enter into the discussion because he thought some portions of the industry were subsidizing others. He thought that by at least discussing the issue and continuing the discussion, similar to what Commissioners did with the Texas Hold'em pilot group, there might be things that the Commissioners can do to help portions of the industry.

The vote was taken; the motion passed with three aye votes.

Chair Ellis called for a break at 2:45 p.m.; the meeting resumed at 3:00 p.m.

8. Petition From the Public – Robert Bearden – Increasing the Number of Cards in an Electronic Bingo Dauber From 66 to 144

a) Amendatory Section WAC 230-10-185 – Electronic bingo card daubers restrictions

(The following section was inadvertently not recorded; recreated from notes.)

Ms. Hunter explained that this second petition deals with electronic bingo card daubers and staff recommends the Commission file the petition for further discussion. She indicated that Mr. Trujillo has pictures of examples of electronic bingo daubers, which he is passing around, so that the Commissioners can see what an electronic bingo dauber looks like. She explained that this change could give charities an opportunity to make additional revenue. Electronic bingo card daubers have been allowed by rule since 1994 and the number of cards per dauber has been limited to 66 since they were first allowed. In 1994, there was a Bingo Study Committee that examined electronic bingo card daubers and they looked at the number of cards that should be allowed on the daubers. At the time, two surveys were done.

The 66 card limit has remained unchanged since then. The rule allows players to play one electronic bingo card dauber and an unlimited number of paper cards at one time. As far as regulatory concerns, staff may receive complaints from players using paper cards versus electronic bingo card daubers because of the perception of an unfair advantage. Ms. Hunter explained that staff contacted five other states to see if they allow electronic bingo card daubers and if they have limits, what the reasons are for them. Staff found that three states have limits. Staff also found that Nevada has no limits and that Kansas does not allow electronic bingo card daubers. The reasons for the limits are explained more in the rule summary. Minnesota limits electronic bingo card daubers to 36 cards. The reasons for limits, included concerns about problem gambling, a reasonable number of paper cards one player could play at one time, and that they didn't want to increase this number as it may appear to be an expansion of gambling.

North Dakota had an interesting reason for their limit of 72 cards. They said it was a result of input from electronic bingo dauber manufacturers. The concern was that because a player using an electronic dauber played could more cards than a paper card player could play, then the players using paper cards wouldn't keep coming to play bingo. Last, in New Jersey, the limit was based on a recommendation from a gaming lab. The person staff talked to in New Jersey also commented that it could create an unfair advantage to play more than 59 cards; however, that was not the reason for the limit.

The Commission currently regulates electronic bingo card daubers with few, if any, problems. **Ms. Hunter** said staff would recommend filing the petition for further discussion.

Chair Ellis asked if there were any questions.

Representative Alexander asked whether the player has to input the bingo number once when the number is called or whether they input the number several times. How are all 144

cards linked? **Ms. Hunter** replied they put the number in once and then all of the cards are daubed at once.

Representative Ormsby asked if it was a coincidence that North Dakota allows 72 cards to be on an electronic dauber, which just happens to be half of 144, which is the petitioner's request. **Ms. Hunter** responded that she thought that was a coincidence, but she could check.

Mr. Bearden explained that he was not bringing any paperwork because this is pretty simple. He explained that players buy card packs in multiples of 12, and 144 is a multiple of 12. He also pointed out that staff says this may cause a problem, but it hasn't in 17 years. **Mr. Bearden** explained that this change could benefit most charities. However, if there is a jackpot big enough, the state can benefit from it too. He said the change benefits everyone.

Commissioner Rojecki asked how many people play daubers, instead of paper cards.

Clyde Bock, representing Imperials, responded from the audience that 7 of 10 players use daubers. He said the machine cost to play has gone down.

Vice-Chair Amos asked how many electronic daubers **Mr. Bock's** location has. **Mr. Bock** responded that they have 216 machines.

(Minutes recorded from this point)

Mr. Bearden replied the reason is that machine cost to play has come down over the years, so the number of people being able to afford to play a machine has correspondingly gone up.

Vice-Chair Amos asked how many machines **Mr. Bearden** could have in the facility. **Mr. Bearden** replied in his facility there are 216.

Ms. Satiacum, AM Vets Post #1, explained the reason they came up with this is because they are close to BJ's and Muckleshoot. And BJ's has a limit that she believed was like three hundred and something cards and she also believed Muckleshoot had no limit. They are just trying to be competitive. She added as far as complaints from paper players, they really do not hear any about people playing a machine. She knew they did not hear any complaints about it being unfair. Some people can buy two tickets, some can buy 100.

Chair Ellis stated it was how much they wanted to invest. **Ms. Satiacum** replied, exactly.

Commissioner Rojecki asked if the current number was 66. **Ms. Satiacum** affirmed.

Commissioner Rojecki asked how often it happens where somebody is buying 66 cards.

Ms. Satiacum replied she had a lot of people that max their machines. And then they have some that buy the limit, which are two packs. But they have powerballs and things like that where if it gets up high, they might want to buy more cards to increase their chances.

Vice-Chair Amos made a motion seconded by Commissioner Rojecki to accept for filing and further discussion the proposed amendment to WAC 230-10-185. *Vote taken; the motion passed with three aye votes.*

9. Petition From the Public – Robert Bearden – Reinstating Requirements that Manufacturers Must Sell to Distributors

- a) New Section WAC 230-xx-xxx – Availability and pricing of gambling equipment and related products and services

Assistant Director Harris reported the petitioner was requesting that the portion of former WAC 230-12-330 requiring manufacturers to make their products and services available to distributors without discrimination be reinstated. AD Harris corrected a statement made by Mr. Bearden that there was only one licensed manufacturer of bingo paper. There are actually two licensed manufacturers that produce bingo paper. The Commission has discussed the rules about manufacturers being required to sell to all distributors numerous times since 2005. These include the staff proposal to repeal the rules that were adopted in September 2005. There were two petitions from the public to reinstate the rules, both of which were denied in 2006 and 2007 for the following main reasons: regulating business relationships between distributors and manufacturers is generally outside the scope of the Commission's authority, and there are other legal remedies that petitioners could pursue other than the Commission rule, such as anti-trust laws.

In September 2009, a staff report was prepared, which he believed Commissioner Rojecki had requested, that summarized complaints that staff had received from licensees on this issue. All those complaints were determined to be unfounded. In June 2006, the staff completed a survey of manufacturers and distributors to find out how that rule being repealed had impacted them. Six distributors and two manufacturers were contacted. Four of the distributors said that the rule change had no impact on their business; one said that the manufacturers had reduced the discount they offered and basically increased the amount they require to make a purchase. They were against allowing credit to operators because the operators could barely pay the day-to-day expenses. Another one said Bingo King would not sell to them anymore because he was too small of a business. Of the two manufacturers, one said it had no impact at all on them, and one said that things were going okay. In June 2011, staff again contacted four distributors and three manufacturers to determine how they had been impacted and whether or not they were for or against reinstating the rules. Two of the distributors said they would like to keep the rules as they are. They felt it helped improve the business, and stated it allowed them to recapture their travel costs. Two said they would like to see the old rules reinstated. One said that the manufacturers would not sell to them anymore and was trying to drive them out of business. The other stated they had not noticed a difference, but they felt that the rule change might help smaller distributors. Of the three manufacturers contacted, one said they did not do a lot of business in Washington so there really was not an impact on them. One said it would hurt their business if the rule was reinstated; they did not have a problem with selling to all, but felt it would impact their ability to do discounts and specials to different distributors. One said

they would like the rules to be left as they are, and they did not believe that the Commission should be messing with the free market as it is.

The proposal would require manufacturers to offer gambling equipment devices and related paraphernalia and supplies and services to any distributor wishing to purchase them at the same price. The petitioner used the statement discriminatory practices are prohibited in the rule, but did not define what discriminatory practices were. Staff contacted the petitioner who verbally stated that discriminatory practices were self-explanatory and sufficient, and people would know what that meant. The impact on licensees is unknown.

Regulatory and lawful business practices between licensees are generally outside the scope of the Commission's authority. The restoration of the rules would reinstate the agency's role as regulating sales, services, pricing schedules, and credit terms between licensees. This would also have an impact on our resources. Before the credit rules were repealed, our agency devoted half of an FTE to do that type of work.

The Commission repealed discriminatory pricing restrictions because the restrictions did not have a direct impact on gambling and should no longer be part of a regulatory program. The Commission may want to consider whether the problem has been shown to justify rules and restrict the business's ability to set their own prices and make their own discount decisions. There may be other legal remedies that the petitioner could pursue other than the Commission rules such as anti-trust laws. Before repealing the rule in 2005, the Commissioners carefully considered and discussed all the arguments for three months, and gave it due consideration.

Staff recommends denying the petition based on the policy considerations.

Chair Ellis asked if there were any questions; there were none. He asked if Mr. Bearden would like to speak.

Mr. Bearden stated there were two more letters in favor of the petition change. There are several people, expert distributors, and those who have worked in the industry for quite some time, that have some real feelings concerning this and getting back on line. They wonder how charities got involved in this because this is really a distributor issue to (*inaudible*). We are at the bottom of the food chain here. We are the ones who have to pay the increased fees because there is not any competition out there that we can go to for a lot of stuff. He thought that down in South Tacoma there was one distributor that they could basically use, even though there may be 47 licensed in this state. Each one has their assigned region. If we cannot have additional competition out there, or be able to get quality stuff because only one or two distributors have that quality stuff or the materials and equipment that we need, then once again, there is no competition. And we cannot take advantage because we cannot pass on these charges to our customers. We will simply lose them. We are losing them as it is now. But I do want to really kind of give up the floor as

soon as possible on this because he knew there was a lot of public comment that the Commissioners were probably going to have from the people that are here.

Chair Ellis asked Mr. Bearden if he realized that the effect of those regulations could possibly be to reduce competition if manufacturers decide it is simply not worth putting up with the regulations that they are subject to, to do business in Washington.

Mr. Bearden responded he understood that. And we know that it is kind of a do something here. We either get some competition so we can benefit from (*inaudible*) good business competition, or if the manufacturer just pulls out of the state, bingo is dead. The industry is going to die, or we are going to be using less quality stuff, or we are going to be doing nothing that we can really compete with. It is really difficult to explain – and this is where my experts are going to come into play. One of the reasons that charities got involved in it is because we need the competition. We need to be able to save money wherever monies can be saved. And the Commission is not the only one who is trying to help us out, by the way. We are redoing our entire business approach figuring out other ways. This is just one spoke in the wheel, but we are trying to touch every spoke so we can survive.

Chair Ellis replied that if there are bingo operations in the state, and both of the existing manufacturers leave the state, the normal way that our economy works is other manufacturers, or other potential manufacturers see that business sitting there and they go into the state to make money. If organizations are going to buy their product, that –

Mr. Bearden interrupted and said this could also be a great come on for the justification for the 144 electronic bingo daubers.

Chair Ellis called for public comment.

Mr. Don Harris, owner of H & H Pull-Tab, disagreed with everything Assistant Director Harris said. My name is in the investigation they had, but no one contacted me. Somebody did call me for three minutes, and then they put down all this information. So all the information you've got on these supposed distributors who are all for it, is all bogus. Also on there is Danny McCoy, Tri-Focus, Tabs Unlimited, myself, Magic Distributing, Ace, Spokane Punch Board, who are all against this. But nobody put that down. Staff said there were only two people that were against it. So all that information this gentleman has maybe it is the way they did it, staff just sat down at a desk and wrote. To me it is all bogus. Staff did not get people up here and ask what their opinion was, like he was doing right now. Mr. Harris stated he was going to tell the Commissioners his opinion. He thought what the agency was doing was very wrong. Commissioners should reinstate that because it is a RICO Act.

Chair Ellis recalled Mr. Harris' views from the last time.

Mr. Harris said that Arrow International, they are talking about the bingo paper, they bought out Trade and that was a Trade bingo paper. And they own Arrow, so that is all the bingo paper. They bought them out so they have control. Those two distributors that are all for not going for this are the people that they have here. Mr. Ed's took all their own employees which they bought out in 1993, which he brought to the Commission's attention back in 1995 that nobody knew about this. And all of those people are now distributors under Arrow. That is who sell almost 85 percent of their stuff to; people like me, people like Magic, people like Ace. Ace Distributing, which could not be here today, started going through the internet and selling a dollar or so under the normal price. Then he got cut off because Wow went in there and told them do not let this guy have any, so they cut him off. That is all discriminatory. That is discrimination. He did not see how the Commission cannot see that. It is discrimination. He said he had read all the Commissioners statements saying "well that was not our problem". If it was not their problem, then maybe they should just disband this whole gaming commission, because if Commissioners are not going to do it – we look to the Commission for all the rules. We can only buy from A, B, C, D, and E manufacturer, and if they do not sell to us, what the hell were they supposed to do. It is like going into Costco. Customers get a Costco card and go into Costco and buy \$150 worth of groceries. When the customer gets up to the check stand they say "no, we are not selling to you, get out of here". Was there any difference? No, there was not. It is discrimination all the way. That is where the RICO comes in because – he indicated he was getting ahead of himself again, and apologized. That is what Arrow International is doing. They are creating a RICO Act in racketeering by only selling to certain people. And he did not see how the Commission did not see that, especially with a guy like Commissioner Mike Amos on there, who is ex-law enforcement. How you guys cannot see the racketeering involved there. He meant if Commissioners cannot see it – he hated to say this, but they have all these guys on the Commission here, but they do not know anything about the industry. And they are making decisions on stuff that they do not really know stuff about. Commissioners should get people on there, or get advice from people that have been in the business for a long time and ask them what is going on. And he thought what the Commission did was wrong. He thinks Commissioners need to repeal it and get it back so it is a level playing field here for everybody.

Chair Ellis informed Mr. Harris that the Commission made those decisions after extensive discussions, extensive public hearings, just like this one when experts, like him, came and gave Commissioners their views. The Commission disagreed, ultimately, that they had the authority to start telling companies what they could charge and who they could do business with, since it seemed to have, at best, any connection with protecting the public from dishonest gaming practices. Those are clearly competitive issues.

Mr. Harris confirmed he understood, but if they cannot buy from whom the state tells them to buy from, then from whom are they supposed to buy? There are a lot of people out there they could buy from, but they have to buy from people who have a state stamp number so the state can get their money. They are the only people they could buy from. He asked if Commissioners understood. **Chair Ellis** affirmed they understood, and asked if Mr. Harris

had any other points. **Mr. Harris** asked then why they cannot see that one corporation owns six of the companies. And there is only one or two out there whose customers can even get anything from. They say who is going to buy and who is not. When the truth gets known, Commissioners are going to see that one corporation probably owns those companies. He said he did not see why the Commissioners cannot see through that. **Chair Ellis** confirmed he understood Mr. Harris' point. **Mr. Harris** asked then what the point was if they can only buy from the manufacturers that Commissioners tell them to buy from and they do not sell to them, then why was there a gaming commission? He said he wanted Commissioner Ellis to answer that question. He was asking the Commissioner direct as the Chairman. Why does the Commission exist? **Chair Ellis** replied the short answer to why the Commission exists would be provided to Mr. Harris if he looked at the RCWs and the Washington Administrative Code on the various things that the Gambling Commission is responsible for, which is protecting the public by ensuring that gambling is honest and fair, and keeping the criminal element out. **Mr. Harris** replied it was not honest in this case, and he did not see how Commissioners could not see it.

Chair Ellis closed the public testimony and asked if there were any questions by Commissioners.

Commissioner Rojecki said he thought the Commission had discussed this in the past when it gets into RICO, and asked AAG Ackerman how that involves the Gambling Commission. He guessed it was a much broader question.

Assistant Attorney General Ackerman responded he would give the Commissioners a broad, general answer regarding a pretty complex subject. In essence, a RICO action, civil or criminal, requires violations of federal statute, or if one is bringing a state RICO action, violation of state statutes. A RICO action is predicated upon, depending upon which system that person is in, either two or three criminal acts that violate designated statutes that are set out in the bigger RICO statute. There is a laundry list of crimes; federal crimes for the federal RICO, state crimes for the state RICO action. To file an independent RICO action, one has to allege and prove either two or three predicate crimes. If a person is going to do a RICO action based on money laundering and some sort of theft type of case, as the basis for their RICO action, they would prove that there had been a money laundering crime, and also that there had been a theft crime. Like he indicated, the laundry list is long.

RICO actions can be brought one of two ways. The typical way is a person goes to the prosecutor, or to the US Attorney, and they say here are the crimes that were committed. And if the prosecutor agrees with that person, the prosecutor will file an independent RICO action, which is itself an allegation of a crime for which that person can obviously be convicted and punished. Individuals can also file a lawsuit, what is called a civil RICO action. And again, it will then be their responsibility to show these predicate crimes as part of their lawsuit. And if they prevail, then they can receive monetary sanctions and injunctive relief can be issued to remedy whatever the alleged problem is. The difference is, obviously, the criminal RICO action can result in prison time, jail time, typical criminal type

sanctions. And the civil RICO action is a way to recover monetary relief for something that has been done and to get a court to order that the activities cease. That is a big picture, nutshell on RICO. But the important thing to remember was that person is going to have to prove crimes. Those are what are called predicate crimes, and they form the basis for bringing any kind of RICO action, civil or criminal.

Mr. Harris asked if he could add to that. **Chair Ellis** stated he was sorry, but the public hearing is over.

Chair Ellis asked if there was a motion. Hearing no motion, he asked if it would it be correct to say that the petition be denied for the reasons specified in the staff recommendation. **Assistant Attorney General Ackerman** replied that would be sufficient if that was how the Commission wishes to proceed.

Chair Ellis indicated the petition would be deemed denied. *The petition for rule change died for lack of a motion.*

1. **Director's Report** (*Taken out of order*)

Legislative Update

Ms. Hunter welcomed Representative Timm Ormsby to the Commission. Staff was happy to get his appointment. The Commission also received notice of the reappointment of Representative Alexander to the Commission. Staff is glad to have them both on board.

In the interest of time, Ms. Hunter stated she was going to focus on the possible agency request legislation for 2012. Staff is looking for just a nod of heads as to whether Commissioners want staff to pursue this idea further. And if so, Ms. Hunter would bring a full proposal to the August Commission meeting. Agency request legislation has to be approved by the Governor's office. Staff has not gotten notice yet whether the deadline for that would allow time for the Commissioners to take a final vote at the September meeting or whether the Commissioners will have to vote at the August meeting.

Staff is proposing that the length of time for which a license could be issued be extended up to 18 months. That would just be the first step in allowing the Commission to use the Master License Services system, which was changed to the Business License Services. That function was previously administered by the Department of Licensing, but legislation passed this year moved that function to the Department of Revenue. As of July 1, the Business License Services function is now with the Department of Revenue.

Staff has been working with the Department of Licensing on the idea of the Gambling Commission being able to use their service for the gambling licenses for about a year or two now. One of the first things that staff has determined is that during their transition time they may need to be able to issue a license for longer than one year. Commission's law says that staff can only issue a license for up to one year. Assistant Attorney General Ackerman has provided input on the proposed language. She pointed out this is only for organizations;

individual license holders cannot use the Business License Services. This allows licensees to have all of their licenses expire on one date. It is kind of a one-stop shopping. Currently there is an assessment or a handling fee by Business License Services of \$19 in the first year and \$11 for renewal. Staff puts notices on the Commission website for people to comment. She stated Assistant Director Griffin had a conversation with one licensee, but was not sure if that licensee was in the audience.

Chair Ellis asked if there was anyone from the audience that would like to address this issue.

Mr. Bearden, AM Vets, State of Washington, stated that actually the 18 months is a great idea. One-stop shopping is a great idea. Although, the way it is worded “to perform all matters and things necessary to carry out the purpose” is like saying a blank license to do anything to make this work. It is ambiguous. It needs to be clearly defined as to what is necessary, instead of saying perform all other matters to make this work. It needs to be defined.

Chair Ellis thanked Mr. Bearden and asked if either of the Commissioners had concerns about staff proceeding with this legislative proposal. Hearing none, that is the nod.

Representative Gary Alexander indicated he wished not only to encourage it, but to ask the staff to involve him in the legislation, since he was the initiator of the UBI program, the Master Business License concept. He would like to be involved with including the gaming licenses in that process as well. **Chair Ellis** thanked Representative Alexander.

Correspondence

Deputy Director Trujillo continued with the Director’s Report and reported there was no correspondence.

Monthly Update Reports

Deputy Director Trujillo pointed out that included with the regular monthly updates were two federal updates he wanted to mention. The first is that on June 16, the Internet Gambling Regulation and Tax Enforcement Act of 2011 was introduced amending the Internal Revenue Code of 1986 to regulate and tax internet gambling. The bill would require internet gambling licensees to withhold taxes from net online winnings and give information about gamblers to the government to help ensure the collection of taxes. It would also impose a two percent federal tax on internet gambling providers and give states the option of taxing these licensees at six percent. As of June 16, it was referred to the Committee on Ways and Means.

On June 24, the Internet Gambling Prohibition Poker Consumer Protection and Strengthening Act of 2011 was introduced. A summary of the bill will be provided in our August federal update. As of June 24 it was referred to the Committee on Energy and Commerce.

Secondly, on June 24, the Comprehensive Problem Gambling Act of 2011 was introduced to amend the Public Health Service Act to specifically include in the substance abuse and mental health services administration programs to research, prevent, and treat harmful consequences of pathological and other problem gambling. As of June 23, it was referred to the House Committee on Energy and Commerce.

News Articles

Deputy Director Trujillo briefly reviewed the articles in the agenda packet and pointed out an article (How to Investigate Illegal Internet Gambling Websites) authored by Rick Herrington, manager of our Intelligence, Computer Forensics, and Internet Gambling Enforcement efforts. The article appeared in a trade journal called “The Informant” which is published by the National White Collar Crime Center.

Deputy Director Trujillo concluded the Director’s Report.

4. Approval of Minutes – Regular Meeting – May 13, 2011 (Taken out of order)

Chair Ellis indicated that, although he did not attend that meeting, he reviewed the minutes and was confident they are an accurate reflection of what occurred.

Commissioner Rojecki made a motion seconded by **Vice-Chair Amos** to approve the minutes from the May 13, 2011, regular Commission meeting as submitted. Vote taken; the motion passed with three aye votes.

10. Other Business/General Discussion/Comments From the Public

Chair Ellis opened the meeting to Other Business, General Discussion, Comments from the Public.

Ms. Dolores Chiechi, Executive Director of the Recreational Gaming Association, commented on the license fee reduction for the charities. She indicated her industry association has not met to take a position formally for, against, neutral, or otherwise. However, they understand the plight of the charities. The commercial industry, as Commissioners have seen, has declined quite substantially as well. Any discussion that may take place relating to shifting the burden to commercial industry, of course, is very concerning to their industry. She was comfortable making that comment without talking with her membership. She asked that they be involved in any discussions if a committee group is created to work on it. If it looks like it is going forward, they would certainly like to be involved in that process.

Adjourn

Chair Ellis adjourned the meeting at 3:45 p.m. There was no formal Executive Session.

Minutes prepared by:

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