

**WASHINGTON STATE
GAMBLING COMMISSION MEETING
THURSDAY, NOVEMBER 17, 2011
APPROVED MINUTES**

Chair John Ellis called the Gambling Commission meeting to order at 1:35 p.m. at the Lacey Community Center in Lacey and introduced the members present.

MEMBERS PRESENT: **Commissioner Chair John Ellis**, Seattle
 Commissioner Vice-Chair Mike Amos, Selah
 Commissioner Michael Reichert, Seattle
 Senator Margarita Prentice, Seattle

STAFF: **Rick Day**, Director
 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

Staff Recognition – Director Day introduced Ms. Lisa Chinn, Business Operations Division, who is participating in the Partnership Program, which is a program within the Gambling Commission that allows employees from various parts to come together and visit the different sections of the Commission’s activities and get a review of the entire scope of activities of the Gambling Commission.

Staff Accomplishment – **Chair Ellis and Director Day** presented Ms. Michelle Rancour with a certificate and pin for five years of Washington State service. Director Day reported that Ms. Rancour started with the Gambling Commission in 2006 as an Office Assistant in the Forms and Records department and was promoted in 2010 to Administrative Assistant in the Director’s office.

1. Agenda Review / Director’s Report

Director Day briefly reviewed the agenda and inserts provided, noting there were no staff requested changes. He requested a brief discussion on the Governor’s extension of the Executive Order. **Director Day** pointed out a graph behind the Director’s Report tab that had been updated with estimated 2011 figures. He anticipated coming forward with a pie chart that Commissioners normally see about state gambling net receipts with all forms of gambling, which should be available in December and would be included in the January Commission meeting packet. This compares Commission FTE to gambling net receipts, and an increase in tribal receipts and total gambling receipts in the state of Washington with a decrease in state licensed gambling receipt activities. The Gambling Commission’s FTE level had moved downward from its high of 197 to the Commission’s authorized level for fiscal year 2013, which would be 154 FTEs.

Director Day pointed out the appointment letter for Susan Nielsen explaining she has since then notified the Governor's office that she has accepted a new position and must resign from the Commission because of the demands of that new obligation. Ms. Nielsen felt she would not be able to devote sufficient time to the Commission and would be doing a lot of traveling. The Governor's office has informed Director Day that they are diligently moving forward to explore a new replacement commissioner for the vacant position. Director Day asked that if anyone happened to know someone that might be interested in the position to let him or the Governor's Office know. Because of the four male Commissioners, they are particularly interested in a female candidate who is also from the eastern side of the state. The Commission is hoping to get that position filled as soon as possible, particularly as the legislature comes into session next year.

An appreciation letter with the heading "Stand With Those Who Serve:" is included in the agenda packets. About 2000 law enforcement and military officers and their families participated in an appreciation event, which was so positive that they may try for a second annual event next year. The Commission staff participated with a booth at the event.

Chair Ellis stated that was certainly a good type of activity for participation by the Commission staff.

Director Day thanked Chair Ellis, stating that last year the Governor issued an executive order suspending non-critical rules development that was to be in effect through December 2011. The other part of the moratorium provided that agencies submit a report to the Governor's office. Staff did a memorandum, and anticipates further guidance from the Governor's Office about what needs to be in that report. Staff is open to any suggestions the Commission may have on additional information.

In 2011 the Commission processed about 14 rule petitions from the public, which totaled about 55 individual rule changes. Compared to 2010 the Commission processed 7 proposed rule changes, which were all single rule petitions. In 2011 the Commission processed about twice the number of public petitions. The Governor's order did not affect the statutory responsibilities of the Commission to consider public petitions that come through under the authority of law of the Administrative Procedure Act. In addition, there were 47 staff proposed rule changes in 2011 tracked by staff, but only one of these actually went forward to the Commission because of the moratorium. This report will be submitted unless the Chair desires any additions or if there are additions to the report that staff might hear from the Governor's office.

Chair Ellis said the report looked satisfactory and asked if the other Commissioners had any concerns. Hearing none, Chair Ellis said to move forward with the report to the Governor's office.

Director Day reported the Governor extended the Executive Order, which is the same order with just an extension of the non-critical rule development moratorium. The idea behind it is to continue a more stable regulatory environment for businesses and helps

conserve staff time to divert that time to direct services. Director Day wanted to check with the Commission to determine if they wished to proceed as they had in 2011. Included was a set of minutes that described the discussion the Commission had when they took action in 2011. Staff is working to follow the spirit of the order, but still follow the RCW requirements for processing of public petitions. In his view, the three petitions on the agenda are all from industry, not staff petitions. Therefore he believed they would qualify to go forward if the Commission decided to file them. With staff proposed rule changes, the Commission would be required to identify that there is a public or player safety, money saving, or legislative change are the only reasons that would merit going forward with a rule making process. It would be staff's recommendation that the Commission continue to follow the Governor's guidance on what is considered non-critical rule changes and continue as staff has done in 2011 for 2012. Are there any different requests or if that is acceptable, staff will proceed as such. **Chair Ellis** asked if either of the Commissioners believed that the Commission should change the approach that staff has been taking, or continue to follow the Governor's invitation to comply with the requirements of the Executive Order.

Commissioners Amos and Reichert suggested the Commission continue to follow the Governor's Executive Order. **Chair Ellis** concurred.

Director Day thanked the Commissioners and stated staff would proceed basically as they have been under the moratorium. The Financial Investigations Unit has completed a financial summary of house-banked card room activity that lists the top net establishments and the report does show some positives for licensees reporting positive income. There are fewer businesses with a net loss and a lower percentage of ongoing concerns noted, but there are fewer operating card rooms. Director Day made note of the administrative cases, seizure update, and news articles, stating if Commissioners have time, there are some news articles that are of interest. He noted one from the Seattle P-I dated September 8 entitled "Bookie Recruited Undercover Agent in Sting" that documents a set of charges King County recently filed as a result of the Gambling Commission's investigation of bookmaking. This will conclude the Director's Report, unless there are any questions.

Chair Ellis commented on the administrative case update concerning proceedings on Parker's Sports Bar and Casino in Shoreline. The licensee had previously owed about \$500,000 in State and federal taxes, which has been updated to more than \$600,000 in taxes. There is continuing litigation going on, which hopefully will culminate in a hearing on January 10, 2012, after a number of continuances and motions to take depositions. Chair Ellis then addressed Assistant Attorney General Jerry Ackerman asking if there was anything more on the Parker's proceeding that he thought the Commissioners should know about. **Assistant Attorney General Jerry Ackerman** replied there was no further information. **Chair Ellis** thanked AAG Ackerman and Director Day.

2. Request to Exceed Raffle Prize Limit

a) Rocky Mountain Elk Foundation

Assistant Director Tina Griffin reported that there are two licensees who have submitted requests to exceed the total raffle prize limit during their license year. Currently Commission rules allow for licensees to request Commission approval if they can show good cause in writing to exceed their total prize limits of \$80,000 during their license year. Tomorrow staff does have a petition up for filing to remove this approval by the Commission regarding an annual request to exceed. Staff will be recommending filing that petition. That part of the rule has not been aggressively enforced. The Rocky Mountain Elk Foundation is requesting to exceed the annual prize limit for their license year of \$80,000, both for license years 2011 and 2012. The Rocky Mountain Elk Foundation's mission is to insure the future of elk, other wildlife and their habitat. They anticipate awarding raffle prizes during those next two license years of about \$300,000. Some of the items that they do award as prizes include clothing, hats, artwork and firearms, most of which are donated by local businesses or individuals. Mr. Wayne Marion was present from the Rocky Mountain Elk Foundation, the Western Washington Senior Regional Director, to answer any questions Commissioners might have. **Chair Ellis** asked Mr. Marion to step forward and introduce himself for the record. **Mr. Wayne Marion**, Senior Regional Director for the Rocky Mountain Elk Foundation in Olympia stated the foundation has 23 chapters of the Elk Foundations in the State of Washington and the main method to raise money is through banquets for habitat conservation. Mr. Marion pointed out that from Commission notes and letters that has come in, the foundation has raised a gross of over \$500,000 and they net about half of that, \$250,000 or so each year for the Rocky Mountain Elk Foundation. He asked if the Commissioners had any questions.

Chair Ellis asked if there were any questions, hearing none he thanked Mr. Marion for his time.

Assistant Director Griffin stated staff recommends approval of the Rocky Mountain Elk Foundation to exceed the \$80,000 total prize limit during their next license years, 2011 and 2012.

Chair Ellis asked if there were any members of the audience that would like to address the Commission on this proposal; no one stepped forward.

Commissioner Reichert made a motion seconded by **Vice-Chair Amos** to approve the petition from Rocky Mountain Elk Foundation to exceed the raffle prize limit of \$80,000 for the calendar years 2011 and 2012. Vote was taken; the motion passed with three aye votes.

b) Seattle Junior Hockey Association

Assistant Director Griffin reported Seattle Junior Hockey Association was also requesting permission to exceed the \$80,000 total raffle prize limit for the 2011 and 2012 license years. Seattle Junior Hockey was formed in 1974 to encourage and promote the growth of amateur hockey and other youth related activities. They conduct 50/50 raffles where they award 50 percent of the gross sales in cash, and all of their prizes are awarded in cash. And they anticipate awarding approximately \$100,000 each year in cash prizes.

Ric Newgard is here from the Association to answer any questions Commissioners might have.

Chair Ellis asked Mr. Newgard if he would like to speak on the petition.

Mr. Ric Newgard, Seattle Junior Hockey Association said they appreciate the Commission for hearing their petition to exceed the \$80,000 limit. He then asked if there were any questions. **Chair Ellis** asked if Mr. Newgard had any information on a ballpark number for the annual proceeds of the 50/50 raffle. **Mr. Newgard** replied it was approximately \$88,000.

Commissioner Reichert asked if the association was seeing a fall off of participation in the raffles. **Mr. Newgard** replied yes, it was probably down about 25 to 30 percent. People are still playing, but they do not buy as much.

Chair Ellis asked if any member of the audience would care to address this proposal; no one stepped forward.

Vice-Chair Amos made a motion seconded by **Commissioner Reichert** to approve the petition from Seattle Junior Hockey Association to exceed the raffle prize limit of \$80,000 for the calendar years 2011 and 2012. *Vote taken; the motion passed with three aye votes.*

3. New Licenses and Class III Certifications

Assistant Director Griffin reported that, based on the licensing investigations, staff recommends approval of all licenses and Class III certifications listed on pages 1 through 30.

Commissioner Reichert made a motion seconded by **Vice-Chair Amos** to approve all new licenses and Class III certifications listed on pages 1 through 30. *Vote taken; the motion passed with three aye votes.*

4. Approval of Minutes – September 8-9, 2011 Commission Meeting

Vice-Chair Amos made a motion seconded by **Commissioner Rojecki** to approve the minutes from the September 8-9, 2011, Commission meeting as amended. *Vote taken; the motion passed with three aye votes.*

5. Motion to Vacate Default Order - Prospector's Steak & Ale, Revocation

Assistant Attorney General Brian Considine was present for the State. No one was present for Prospector's Steak & Ale. **AAG Considine** provided his statement in the Motion to Vacate the Default Order. A recording and transcript of the hearing is available upon request.

Chair Ellis indicated for the record that the Commission did receive the fax and materials, and based on a quick glance of those documents, it appears they are not reports that are

required for the third and fourth quarters of 2010 and he thought they should be deemed irrelevant to the proceeding and will not be accepted as part of the record in that matter.

AAG Ackerman responded that was within the Chair's prerogative to rule on the evidence. He thought the documents should be retained and kept in the agency's files as a record of what was submitted at the hearing, even though Commissioners had clearly ruled they are not relevant to the proceeding and are not going to admit them as such.

Chair Ellis affirmed that was correct and it sounded like a prudent approach. Staff will include these documents in the agency record, even though they were not considered as relevant to the proceeding before the Commission.

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

AAG Considine thanked the Commissioners explaining this would be his last time before the Commission. He introduced Stephanie Happold who has been assigned as the Commission's new Assistant Attorney General.

6. Defaults:

a) Stadium Pizza Parlor, Organization, Revocation

Ms. Amy Hunter reported Stadium Pizza Parlor in Spokane failed to submit their punchboard/pull-tab activity reports for the third and fourth quarters of 2010 and still has not been submitted. The Commission agent confirmed that the licensee is no longer in business. The Director issued administrative charges, which were sent by certified mail and regular mail. The certified mail was signed and sent back. When the legal secretary made the courtesy call to the owner, she was not able to reach anyone at the telephone number. By not responding, Stadium Pizza Parlor waived its right to a hearing and the Commission may enter this order in default. Staff is recommending that the Commission revoke their pull-tab license.

Chair Ellis asked if anyone was present representing Stadium Pizza Parlor; no one stepped forward.

Vice-Chair Amos made a motion seconded by **Commissioner Reichert** that the Commission revoke Stadium Pizza Parlor's license to conduct gambling activities. *Vote was taken; the motion passed with three aye votes.*

b) Benjamin M. Hodge, Class III Employee, Revocation

Ms. Hunter reported that Benjamin Hodge, a former security officer at the Emerald Queen Casino, admitted to taking several items from their tribal storage site when he was on duty. The total value of the property taken was approximately \$2,300. He was arrested by the Puyallup Tribal Police Department and transported to the Pierce County jail; however, criminal charges were not filed against him. The Puyallup Tribal Gaming Regulatory office did revoke his tribal gaming license. The Director issued charges to him by certified

mail and regular mail. Although staff received an illegible name when the certified mail card was received back, someone did sign for the charges. Mr. Hodge did not respond and staff recommends the Commission revoke his certification.

Chair Ellis asked if Benjamin M. Hodge was present, or anyone present on his behalf; no one stepped forward.

Vice-Chair Amos made a motion seconded by **Commissioner Reichert** that the **Commission revoke the Class III certification for Benjamin M. Hodge to conduct gambling activities.** *Vote was taken; the motion passed with three aye votes.*

c) **Trisha A. Carpenter, Class III Employee, Revocation**

Ms. Hunter reported that Ms. Trisha Carpenter, while working as a vault cashier at the Lucky Eagle Casino, took bills from two different traps of \$100 bills. The Chehalis Tribal Gaming Agency determined that about \$700 was missing from the main bank. She was arrested and charged with Theft in the Third Degree, which is still pending. A pre-hearing conference is scheduled for February 24. In May the Chehalis Tribal Gaming Commission revoked Ms. Carpenter's tribal gaming license. The Director issued administrative charges. Ms. Carpenter signed the certified mail receipt card, but did not respond to the hearing request. Staff recommends the Commission revoke her certification.

Chair Ellis asked if Trisha A. Carpenter was present, or anyone present on her behalf; no one stepped forward.

Vice-Chair Amos made a motion seconded by **Commissioner Reichert** that the **Commission revoke the Class III certification for Trisha A. Carpenter to conduct gambling activities.** *Vote was taken; the motion passed with three aye votes.*

7. **Other Business/General Discussion/Comments From the Public**

Chair Ellis opened the meeting to public comments from the audience; no one stepped forward.

Executive Session to Discuss Pending Investigations, Tribal Negotiations and Litigation

Chair Ellis called for an Executive Session at 2:20 p.m. to discuss pending investigations, tribal negotiations, and litigation. He announced that at the end of the executive session, the public meeting would be resumed solely for the purposes of adjourning. The next meeting will be in Tumwater at the Comfort Inn Conference Center on January 12 and 13.

Adjourn

Chair Ellis called the meeting back to order at 4:20 p.m. and immediately adjourned.

**WASHINGTON STATE
GAMBLING COMMISSION MEETING
FRIDAY, NOVEMBER 18, 2011
APPROVED MINUTES**

Vice-Chair Amos called the Gambling Commission meeting to order at 9:37 a.m. at the Lacey Community Center in Lacey and introduced the members present.

MEMBERS PRESENT: **Commissioner Chair John Ellis**, Seattle
 Commissioner Vice-Chair Mike Amos, Selah
 Commissioner Keven Rojecki, Tacoma
 Representative Gary Alexander, Olympia
 Senator Margarita Prentice, Seattle

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

10. Staff Presentation - Overview of Various Charitable/Nonprofit Rule and Law Changes

Ms. Hunter briefly reviewed the various rule changes that the Commission has made, and the laws that the Legislature has passed, that have assisted charitable and nonprofit organizations over the years. There are a lot of rule changes that deal with net return, net income, and the minimum amounts that must go to an organization’s stated purposes. A lot of the information in the charts was excerpted from the 2004 report an outside consultant named Sally Perkins did looking at the charitable and nonprofit gambling in Washington State dating back to 1983. Most of the other rules date back to 2004.

The first attachment shows the different law changes that have occurred between 1999 and 2009. Senator Prentice had mentioned some of those, there are four of them. In 2009, the legislature passed a law to increase the amount that a raffle ticket can be sold for from \$25 to \$100. In 2002, there was a really a significant change made for bingo. Prior to 2002, bingo could only be operated three days a week; now it can be operated seven days a week. Also in 2002 there were some changes made to fund-raising events, which nonprofit organizations can do and commercials cannot. They were very popular before the state had house-banked games. Fund-raising events allowed charities to have Reno nights where people could go in and play house-banked games and it was really the only opportunity in the state to play house-banked games which were largely run by volunteers. This law change in 2002 allowed licensees to basically contract with professional vendors to run those games, which was helpful.

Another significant change was made in 1999 reducing the tax rate on bingo and raffles from 10 percent to 5 percent.

There have been 13 rule changes that dealt with either net income, net return, or cash flow. All of those are different terms for the same idea of measuring to make sure that money gets back to the stated purposes. There have been three rule changes dealing with electronic bingo daubers. One of those was a very recent change made by the Commission at the September meeting to increase the number of cards on a dauber from 66 to 144. There have been three different raffle rules since 2004 and four pull-tab rules since 2004, including event pull-tabs, which is a pull-tab game that only charities can do. The “event” that the pull-tab game is tied to is actually bingo, and that is the reason only charities can do it, as only charities can run bingo. There have been some other changes as well that have dealt with increasing the size of games.

There have been three bingo rule changes since 2004. One of those dealt with record keeping requirements of winners that were under \$20 and trying to assist by streamlining and decreasing those requirements. Another one, for example, allowed poker at fund-raising events because when fund-raising events started, house-banked games were really the type of game that people wanted to be able to play. Then as poker became much more popular over the last several years, charities actually could not offer poker because that was a non-house-banked game. So this rule change helped so that now poker can be authorized. **Ms. Hunter** thought these changes showed the willingness of both this Commission and prior Commissions and the Legislature to be open to continue to change the rules and laws for the industry to help them. **Chair Ellis** asked if the industry she was referring to were the charitable and nonprofits. **Ms. Hunter** replied yes. These rules and laws are ones that are specific for the charitable and nonprofit industry.

Representative Gary Alexander stated in 2007 it says there was a rule that allowed up to 50 percent variance on net return requirements for the calendar year.

Ms. Hunter responded yes, and that deals with how much money had to get back to the charitable organization. She believed with the variance it would have allowed them during the one particular year to have made less during that year and put it back to their stated purpose. The Commission sets the requirement for what the amount is, and the industry has had trouble complying with it. This was a way to give them one year relief. The Commission made the change that has actually decreased the requirements overall. Although on occasion an organization still has difficulty complying, that requirement is at the lowest level that it has ever been at. For most organizations, it is not as big of a hurdle to get over now.

Chair Ellis Those of us who were on the Commission remember the, (inaudible) repeated hearings to address proposals to ease the requirements for cash flow, etc. (inaudible) purpose funding by particularly the (inaudible).

11. Staff Presentation - Regulatory and Enforcement Impacts of 50 Percent Reduction in Fees
(PowerPoint Presentation)

Assistant Director Griffin explained she would be giving a PowerPoint presentation on two questions that were carried over from the September Commission meeting. One question was the prizes paid and expenses vary from nonprofit organizations and Commissioners wanted to know what the variance was. The first slide answers the question and shows you a little bit of information for the top 10 nonprofit licensees for the fiscal year ending June 30, 2011. Staff used those top 10 to show Commissioners what those variances are, and the first column shows the gross gambling receipts from punchboard/pull-tab and bingo, prizes paid, expenses, license fees, and the net gambling income, and then the percentage of those items in relation to gross gambling receipts. AD Griffin pointed out that the prizes paid by those entities has varied during that year end period between 70.3 percent to 79.5 percent; expenses for the entities varied between 12.9 percent and 24.2 percent; license fees remained pretty constant, less than three-tenths of 1 percent to half of 1 percent of gross gambling receipts. The last three columns on slide one show the compliance with the 60 Percent Rule. Sixty percent of net gambling receipts must go to the organization's program and support service expenses. For the licensees fiscal year end, because the fiscal year end for each licensee can vary, and the first column shows what their fiscal year end date was, and then it shows that all of those licensees were in compliance with that requirement. The last column shows the percentage of support service expenses in relation to the organization's overall expenses. The requirement is an organization cannot have more than 35 percent of management and general overhead expenses in relation to their overall expenses. The top 10 organizations met those requirements and were in compliance with expenses being no more than 1.5 percent to 23.9 percent of their overall expenses. AD Griffin indicated the second question was answered on the second slide of the chart. The Commission wanted to know what the other revenue sources were for the nonprofit entities. Staff displayed the same top 10 licensees from the first page, and carried over the gross and net receipts for the year end, June 30th, then based on the financial statements, they pulled the information for the respective fiscal year ends. In addition the other revenue sources other than gambling are for those top 10 licensees are included.

Assistant Director Griffin outlined the regulatory and enforcement impacts of a 50 percent reduction in nonprofit licensee fees as proposed by the rule petition. And shared the RCW mandates as they relate to costs and the Commission's regulatory programs, and staff's respective estimations of the projected impacts to the Commission regulatory program should the petition be adopted. If the fee reduction is implemented, then a further evaluation would be needed. AD Griffin listed RCW 9.46.010 indicating that raising funds for the promotion of the charitable/nonprofit organization is in the public's interest, and in addition, RCW 9.46.070 states that the Commission is to establish an annual license fee for gambling activities. Staff estimates that a 50 percent nonprofit license fee reduction would result in the elimination of approximately \$440,000 in annual revenue, elimination of approximately nine agency FTEs, and the elimination of regulatory programs in both the Licensing and Field Operations Divisions. RCW 9.46.0209 and RCW 9.46.0261 is the definition of a member of the organization and must be active for the 12 months preceding participation in the management or operation of the activity, while further RCWs set the

membership rules for the local chapters and units of nonprofit organizations. RCW 9.46.0209 lists the specific types of activities that the nonprofit can engage in and states that nonprofit organizations must demonstrate that they have made significant progress towards the stated purpose in the 12 consecutive months preceding application or renewal. The Commission verifies that the organization is not operating for the purposes of gambling, and the gambling activity is providing funds for the programs and not taking money set aside from the programs. The Commission has defined by rule significant progress, such as requiring at least 60 percent of the net gambling income to be used on program expenses, management and general overhead expenses. No more than 35 percent of the total organizational expenses should be used by management and general overhead expenses by requiring organizations not to accumulate additional funds that could be spent currently on programs. The Commission also requires nonprofits to report positive cash flow quarterly, and have an annual adjusted cash flow program based on their gross gambling receipts. RCW 9.46.070 requires licensees to report their gambling activity information to the Commission so staff can insure their class compliance. Staff takes that information and reports it to the public and stakeholders.

The impacts to the Licensing Operations Division should the Commission adopt a 50 percent reduction in license fees would include a reduction in time spent on pre-licensing investigations and renewal reviews that are done by staff other than agents. Currently staff spends anywhere from five to ten hours conducting pre-licensing investigations on each charitable and nonprofit application received. A reduction in fees would reduce this time to about one and a half hours. Changes would be made to the application by adding boxes listing the various types of activities that are allowed under the RCW for the organization, and staff would make sure that licensees are checking an affirmative response that the organization is one of the types as listed in the RCW. Staff would also ask them to answer “yes” if they have 15 voting members, and had been consecutively operating for the last 12 months; and can demonstrate significant progress. Staff does not do any sort of verification of any of those answers, as long as the applicant answered affirmatively to those responses, then staff would issue them a license. The Commission would also reduce their renewal investigation by confirming the application, fee and then reissue the license.

Assistant Director Griffin stated in her estimation at least four WACs would need to be repealed because the Commission would no longer have the resources to do the following: verifying membership, reviewing meeting members and meeting minutes, articles of incorporation or bylaws to verify that the organization really is a nonprofit as defined by RCW. Staff would no longer verify qualifications of the branches or other units of an eligible parent organization, or review in pro forma of applicants seeking licensure for gross gambling receipts of over \$3 million annually. In addition staff would need to make changes to or eliminate at least four RCWs, or require examination of RCW 9.46.010 because the Commission may no longer be providing strict regulation and control by simply issuing licenses based on receipt of funds and an application. The Commission would then reduce time spent on activity reporting as fees are currently collected either quarterly, semi-annual or annual reports from nonprofit licensees, depending on their type of gambling activity. In reducing staff time and expense the Commission would require

annual activity reporting online, which may have further revenue losses associated with it. Staff estimates the Commission would have to change five WACs, as listed on the slide, based on the annual reporting online requirement. Another change would be to eliminate the pre and post-licensing investigations conducted by agents. Currently agents conduct pre-licensing investigations on high volume applicants to insure that the members do meet the WAC and RCW definitions; that the nonprofit has shown significant progress in the last 12 months, and reviews the pro forma for proposed gambling activities for those higher volume licensees. AD Griffin confirmed the licensing program would simply be reduced to submission of an application, affirmative responses, and receipt of fees in return for a license. In addition staff would no longer conduct post-licensing investigations, or process raffle prize requests. The elimination of these programs would require amending the first three WACs on the slide. Basically nonprofits would no longer be reporting changes to their application, loans, organizational structural changes, infusions of cash, or change reporting activities in relation to civil, administrative or criminal activities in relation to the officers.

Chair Ellis asked what would be the need to make those changes, he did not imagine there was a large volume of criminal actions that are filed against officers, and perhaps not that many administrative and civil actions filed either, and would it be particularly burdensome to continue to require the charitable and nonprofits to make those reports. **AD Griffin** replied if the Commission asks them to submit, then staff would do a review and follow-up, but without the staff time and resources to do any follow-up, then no, there is not any particular reason. There are some criminal actions that do occur on officers of organizations, and that would just be a risk the Commission would then potentially have to bear. **Chair Ellis** affirmed he was aware the Commission has had criminal investigations in this area. He asked if staff talks about the follow-up, should a charitable or nonprofit report a criminal action against an officer, it would pretty much just be tracking the result of the judicial process in determining whether or not there is a conviction and taking any action at that point that might be necessary. **AD Griffin** confirmed yes, actually the Commission does get notified of criminal history on officers, and if there is something pending that would rise to a risk level, then staff does move forward and work with the nonprofit entity to see if they want to remove that officer and take action initially. Or if they do not and staff feels that there is a threat to the public and potential harm, then the Commission will go ahead and move forward for revocation at that time. **Chair Ellis** replied that he understood.

Assistant Director Griffin confirmed that usually the nonprofit will take action because they may not know about it. The officer will notify the Commission directly of the criminal filing, and the nonprofit may not know anything about it. The Commission would eliminate their financial statement review program. Currently nonprofit licensees with annual gross gambling receipts of \$3 million must submit to the agency an annual report of their nonprofit activities and a financial statement. Staff reviews the financial statement and the report to verify that the organization has made significant progress towards their stated purpose, again by verifying those percentages; at least 60 percent of the net gambling receipts have gone towards the program management and overhead expenses; no more than 35 percent of the organizations expenses were used on management and general

overhead expenses; and that the organization is not accumulating funds versus spending them on their programs currently. Since staff would no longer be doing the financial statement review, the agency would not be calculating significant progress or excessive reserves for these entities. AD Griffin believed that the five WACs listed on this slide would need to be repealed. Staff would eliminate the Commission's adjusted cash flow monitoring program. Again, this is another way that staff verifies significant progress through the quarterly and annual adjusted cash flow monitoring. Currently licensees have to report to the agency positive cash flow on a quarterly basis for their bingo, punchboard/pull-tab, raffle and other retail income associated with their gambling activities, and then annually report a percentage of their gross gambling receipts going towards the program. The Commission would be able to repeal the WACs listed above.

In summary, for the Licensing Operations Division, staff would be eliminating the programs that verify significant progress in the Commission's pre and post-licensing investigations, our annual financial statement review program, our activity reporting and adjusted cash flow program. The Commission would no longer be able to verify and insure that the monies that were made from the gambling activity are going towards the stated purpose of the organization and that the gambling activity is not taking monies from the program through losses. There may be a potential loss of funds by the nonprofit because staff would no longer be verifying the expenses of the nonprofit are actually being used for the programs. As explained previously, the Commission has seen instances where monies were spent on travel and entertainment purposes other than the program. And lastly there would be nobody watching the gambling and nonprofit funds.

Senator Margarita Prentice asked about a monthly report on how many employees the nonprofits had. She clarified that she was not asking that staff report on it again, but she remembered catching somebody on it who was supposed to be an employee and this was something the agency needed to watch very closely. The question then was does the operation run for the charity or to provide jobs for people, and that was one of the things that staff would scrutinize. But there was something bigger to consider and that was our own role, the Commission is regulatory and law enforcement. It is easy because the Commission is sympathetic to the programs out there and thinks the agency has to be an advocate. Senator Prentice said she was concerned about the loss of income, but also concerned about the loss of law enforcement. The one thing she did know was that the public did not want the Commission to loosen up gambling laws. A few years ago she participated in hearings all over the State, three summers in a row, and that truly was the message. People were not complaining about where we were; some did not like it more than others, and she received that message loud and clear all over the state. But what she has seen happening, and she has visited a lot of these places, and it was very clear to her, one of the really big operations – and this was over ten years ago when she said she was the youngest one in the room because she thought this was an aging fan base. And then there is a lot of competition that we have seen ourselves and been part of developing. So people are doing other things. So it is really hard to say no to people who are doing good things. But she said she tended to think in simplistic terms, and you cannot enforce the law if you do not have the cop. So maybe it is too simple. We can be sympathetic, but we are also watching some societal changes there and she did not want to redefine who we are.

Chair Ellis asked if there were any questions.

Director Day explained that in the original rule summary from 2007, what was at stake was the smoking ban that had gone into effect. It did have substantial impact on all the state gambling industry, but particularly with the charitable/nonprofits. The Commission did reduce the requirement for one year, 50 percent, at the request of the charitable industry.

Assistant Director Mark Harris reported that statutory responsibility, RCWs 9.46.120, 9.46.0205 and 9.26.0277, all require that none of the proceeds from the gambling activity go to the benefit of any person other than the organization. Some examples of some of the cases staff have investigated in this area would be bingo managers that have been paying personal expenses out of bingo proceeds, which included dental work, skydiving lessons and plastic surgery for their girlfriend. In theft of funds from bingo managers and club managers, there are currently three investigations being worked on where a club manager stole over \$10,000 in one year; a bingo manager stole over \$14,000 through the bingo deposits and through collecting NSF checks and not depositing the money; and another bingo manager stole \$400. Changes would need to be made to these RCWs. As with the 50 percent reduction in license fees, the Commission would no longer be able to ensure this because the Commission's program would be reduced to a reactive program instead of a proactive program. Based on the reduction, the Commission would be required to eliminate their entire proactive regulatory program, which includes spot inspections, compliance modules, and record inspections including internal control reviews, program reviews and financial reviews. These inspection programs were discussed in more detail in the previous presentation. The onsite inspections give licensees the opportunity to ask staff questions. Most of the thefts at the nonprofit organizations are discovered through these investigations that result from the Commission's onsite inspections.

Staff would be reduced from proactive to reactive where staff would get a complaint and then follow-up on it, as opposed to going out and doing the inspections. Basically as a reactive program, staff would be left to respond to complaints, answer questions and follow-up on requests from licensees and the public for assistance. Currently staff follows up on 100 percent of our complaints. Usually the complaints come from licensed activities, and unlicensed activities. Staff would also discontinue investigating crimes that only have a nexus to the gambling activity at the charitable/nonprofit organizations and refer them to the local police departments to follow-up on those. The type of activities or crimes that staffs now investigate that are not included would be crimes like theft, forgery, NSF checks, and counterfeit currency, and those are directed to local law enforcement. Changes in this program would also drastically impact the public perception on gambling and may result in less money going to the charitable and nonprofits. The Commission would also discontinue regulating unlicensed gambling activities, which would be left for the locals to investigate. This would also lead to possibly less money going to the charitable/nonprofits. The thefts would go undetected longer, or not be detected at all, and a lot of local police departments no longer investigate property crimes, they just fill out a report and it goes from there. To sum it up, a 50 percent reduction in the nonprofit license

fees and ID stamps would require the Commission to eliminate or change approximately 7 RCWs and 22 WAC rules. AD Harris concluded the presentation and asked if there were any questions.

Chair Ellis replied apparently not. He stated he thought that the information that AD Harris and AD Griffin provided concerning the actual costs of licensing and field operations presented in previous meetings, as well as the actual information given today confirms the facts and figures on what the impact of a 50 percent reduction would be, make staffs job quite a bit easier to be able to operate on the basis of real information as opposed to vague generalities. Thanking them very much for the extensive time and effort that went into that work.

12. Petition From the Public: Robert Bearden – Charitable and Nonprofit Organizations Cutting License and ID Stamp Fees by 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. Hunter reported this is the fourth time this petition has been on the Commission's agenda after the Commission filed the rule at the July Commission meeting. It was on the Commission study session agenda before the meeting in May, plus the petitioners attended the Rules Team meeting in June to talk about their petition. The petitioners have actually been working on this for far longer – one of their first meetings to talk about this was back in August 2010. It is obviously a significant issue, which is why it has been on the Commission's agenda for so long. The petitioner, Mr. Bearden, is representing various licensed and unlicensed charitable organizations. The proposal itself is to reduce the license fees and ID stamp fees by 50 percent. At the August meeting, the petitioner stated the intent of the ID stamp was to have that only based on products that were bingo related, which would include bingo daubers, bingo paper, and event pull-tabs, which are those pull-tabs played in conjunction with bingo games. That does change what the numbers would be because, initially, it was all types of ID stamps but is now more limited. A 50 percent reduction would be about \$13,000 a year less for the ID stamps. And when calculating in the license fee part, the total reduction would be roughly \$440,000. In fiscal year 2011, the Commission received about \$885,000 in license fees. Staff has projected that, based on this proposal, for fiscal year 2012 the Commission would receive about \$441,000 less. The Commission has increased fees three times in the last ten years. Initiative 960 was passed during this time process, so increasing license fees is much harder because any fee increase has to go before the Legislature. I-601 also impacted how much the Commission could increase the fees. There are no plans to increase fees until at least 2014. That would extend the number of years for these fee increases to 14 years. The license fees are based primarily on gross receipts. The idea was that the higher the gross receipts, the higher the license fee would be. Most of the charitable organizations are in the lower license classes.

The Commission is required to regulate the unlicensed activities, even though there is not a license fee attached to them. So the fees the Commission collects also have to include everything the Commission is doing, which includes unlicensed activities and criminal

activities. The ID stamps are actually purchased from the Commission and the manufacturers put them on the product. The ID stamps help staff trace the product, particularly if defects were found with the product. The ID stamps stay attached to the product as it is sold to the operators. That way staff knows where the products actually end up and not just where they started from. The first group that would be impacted by the rule change would be the charitable/nonprofit licensees. The rule change would decrease the charitable/nonprofit expense. The event pull-tabs and their specific ID stamps would not be impacted much. At least four large organizations play about 15 pull-tab games a week, but when what they pay for a year is calculated, the impact for that ID stamp would only be about \$100 per licensee. Because the Commission does not have a separate process or an ID stamp just for those event pull-tabs, staff would have to create one.

Financial Investigation Unit staff reviewed the organizations' financial statements closely and found that the savings of a reduction in fees would not have a material impact on the amount of fees that are available for their purposes. That is not meant to be interpreted as saying it would not help, because the petitioners feel that any amount of help would help. But when looking at some of the businesses that have millions of dollars in gross receipts, changing the fee does not tend to change the bottom line numbers much. The manufacturers could end up having additional costs because they would need to track those different ID stamps and also make sure they get the correct ones. Under RCW 9.46.070, the fees the Commission collects are supposed to generate the funds necessary to cover the costs of licensing and enforcement. Significant reductions would need to be made in the Commission's program and the fees would not support it. It would create a \$700,000 a year shortfall between the cost of regulations and the fees the Commission would actually collect. The Commission is always looking for ways to streamline work and to try to do things that are going to make things better for the licensees. There are two things that staff has recently done or is working on. One is an EZ nonprofit application that was created for the smaller charitable organizations, which reduced a 13-page application and shrunk it down to two pages. The second one being worked on deals with online reporting.

Staff is also looking at a new process for ID stamps and revising the regulatory program, which includes things like software and databases. Because there are a lot more things electronic, all of those would need to be changed, plus eliminating the different RCWs and WACs. Staff estimated it would require bringing 22 WAC rules back to the Commission and potentially seven RCW changes to the Legislature, presumably through the agency request legislation process. One policy consideration is if the Commission were to reduce those fees, it would seriously call into question whether the agency was following the legislative requirement to collect the necessary fees for licensing and regulation. There have been 15 letters or emails in support, as well as testimony. There has been only one letter in opposition that was from a distributor who said they opposed the rule change based solely on hoping something would happen. Ms. Hunter thought what they are getting at was the petitioner is hoping that if the ID stamp fee were decreased, that the manufacturers would not roll that fee over to them. Typically, the invoice would actually be listed out as a line item, so the idea is that if it is line itemed out now at the higher amount, then if the amount would decrease, presumably the manufacturers would charge the lower amount. What they would do with the rest of their pricing is unknown.

Staff recommends final action but recommends the rule not be adopted based on the policy, resource, statutory, and regulatory considerations. If the Commission chooses to adopt the petition, staff would need time to propose the agency request legislation and make changes to the WACs and forms so an effective date of at least July 1, 2013, is requested because it is obviously past the timeline to do any request legislation for the 2012 session.

Chair Ellis asked if Mr. Bearden would you like to address the Commission in support of his petition.

Mr. Robert Bearden, representing some regulated and unregulated charities throughout the state but mostly in Western Washington, complimented Ms. Hunter on an excellent presentation that summed it up extremely well on both sides of the house. He thanked staff for their work – they have done a great job providing this – and he appreciated all the time and effort this Commission and their staff have devoted over the years, not just over the last year, to looking after charities and their concerns. Mr. Bearden wanted to point out a couple of facts to the Commission before they start their deliberation and make their decision. One is the charities do meet the regulations that the Governor has proposed when she set the moratorium on new rules. According to paragraph three, section (e), they are one of the exemptions to be considered for new rules. So they have not done anything the Governor has not asked them to do. The second thing is about the 50 percent number. They were asked that question several months ago at a meeting; how did they come up with the number of 50 percent and they responded that it was just a number – they were looking for any help, so they just proposed a number. Mr. Bearden has not had any real communication with the staff in renegotiating that number, but just kind of pursued that number solidly across the board. They have always been interested in getting some kind of relief, whether it was 10 percent a year, until they got down to 50 percent or nothing, which would be great but Mr. Bearden did not think that was ever going to happen; although they would love to get that type of assistance. No other option ever really talked about except for that straight 50 percent. Mr. Bearden said he had also notified the staff that not every nonprofit is a charity, which he thought had already been realized. The Secretary of State actually separates the two as far as a charity and a regular nonprofit, which he definitely wanted to also be taken into consideration. Maybe not all of the nonprofits need to be on this list, but that was what he was asking for. But that was never addressed either. He kept trying to get the input in, and he just wanted the Commission to know that. Finally, when Senator Conway spoke to this Commission in Seattle – Mr. Bearden thought that if the Commission had been informed at the time that this was going to be a major legislative review of rules, Mr. Bearden would have worked with Senator Conway and his staff and delegation to figure out some of the RCWs that he could have gotten ready for this legislative period. But he has bypassed that time so he is down to here, and the Commission is deliberating on the issues. Mr. Bearden said he would like for the Commission to take into consideration that this does not have to change overnight. They are just looking for relief. He has already talked about working on other internal aspects and looking at ways of doing business. This is just one of them. But he would like

the Commission's consideration in reducing the amount of fees and stamps associated with bingo, and anything that the Commission can do would be much appreciated.

Chair Ellis thanked Mr. Bearden, adding the Commission certainly appreciated the information and efforts that he has provided during this process, as well as those of staff. Chair Ellis noted for the record that Mr. Bearden submitted four pages of material to the Commission. The first page refers to a charities program and has a heading of "Summary of Registration Requirements/Commercial Fund Raisers." Those four pages will be added to the record concerning this petition. Chair Ellis called for public comment on this petition.

Mr. Ric Newgard, Seattle Junior Hockey Association stated that, as many of you know, he has been in the industry for many years. Just as a point of clarification, he wanted to make sure this issue in front of the Commission and the gentleman who spoke before him – Mr. Newgard has not been involved in this discussion on fee decreases, and he has not been brought to the table so the organization he represents may be bringing this forward, but it is not a collaboration of all the nonprofits on the west side and/or the east side of the state. He wanted to make sure that they were not all being thrown into the same melting pot.

Chair Ellis said he gathered from what Mr. Newgard said that his organization was neither supporting nor opposing the petition. **Mr. Newgard** affirmed that would be correct; that they have not been brought into the fold as far as a conversation. He would love to see anything that benefits the nonprofits, but wanted to make sure it was clear that a number of the nonprofits have not been in this discussion or in this dogfight, whatever it may be.

Chair Ellis called for public comment on this petition; there was none. *He asked if there was a motion; there was none. He instructed that the record show there was no motion concerning the petition and, therefore, the petition was denied on that basis.* He stated that, given the importance of this issue and it has been an important one, both the staff and the organizations represented by Mr. Bearden have devoted considerable effort to it. He felt the Commission, as Senator Prentice referred to, has been very sympathetic throughout concerning the situation with charitable/nonprofits and the good works they do. The Commission started with information and a position letter and a request from Senator Conway to look at this very carefully and see what could be done. Others have supported the petition as well. Ms. Hunter referred to the Perkins report that was done in 2004, which was Chair Ellis' first introduction to the downward spiral that the charitable/nonprofits have been in. Their market share has been declining. The Perkins report indicated there was a serious question about whether the industry had a business model that simply was not able to compete. Ms. Hunter also referred to the smoking ban in 2005 and Initiative 901 that had a very serious impact on the bingo operations. So there has been a continuous decline. The Perkins report indicated there was no legislative history to suggest that the Legislature intended the charities and nonprofits get special treatment. But it is clear in looking over the various rules and laws that Ms. Hunter outlined that the Commission and, to some extent the Legislature, have given the charities and nonprofits some special treatment, recognizing the good work that they do. But it is also equally clear

that the proposal to reduce fees 50 percent would have a devastating impact on the ability of the Commission to meet its legislative mandates to strictly control gambling and to ensure it is collecting fees at a level that would allow it to accomplish that. As Senator Prentice pointed out, there is no question that this reduction in fees would seriously impair the Commission's ability to perform its police powers, among other things. The fee level that would result from a 50 percent decrease would mean that the Commission's fees would be less than a third of the costs of enforced licensing and enforcement efforts in this area. So for those reasons, Chair Ellis thought it was appropriate that the Commission not approve the petition and, therefore, he did not suggest he turn the gavel over to one of the other Commissioners and he did not move for the petition to be approved. .

Chair Ellis called for a break at 10:05 a.m. and reconvened the meeting at 10:20 a.m.

13. Petition From the Public – Rockland Ridge Corporation and Galaxy Gaming, Inc. Linking Envy/Share the Wealth Wagers Between Different Card Games at Single Card Rooms

a) **Amendatory Section WAC 230-15-040** – Requirements for authorized card games

Assistant Director Harris reported the petitioners are requesting to allow players in card rooms to place an envy wager, or a qualifying wager, that would receive a prize even if they are playing at a different table and a different game. It also defines “envy” and “share the wealth” as a bonus feature. The petition also allows card game features that do not require a separate wager to be considered a bonus feature and allows bonus features and progressive jackpots to be combined. Included in the agenda packets is a letter from Senator Delvin, who was not able to attend this meeting, stating his position. The Commission's rules usually prohibit wagers on other player's hands, but one exception is an envy or share the wealth wager, which are authorized for a Pai Gow game. AD Harris showed an example of a table layout and explained how the wagers are placed. The feature known as “envy” or “share the wealth” was authorized for house-banked card games around 2000 when the card room enhancement program rules were finalized. During that time of the pilot program, envy wagers were allowed on multiple tables for the same game, which at that time was basically Pai Gow. But that has not been operated since then and the rules currently do not allow it. The petitioner has suggested a procedure that he has developed that might help the card rooms develop their internal controls, which staff would have to review before they would be allowed to continue. Card game manufacturers would have to adjust their game rules to allow for this type of linking of envy bonuses since they are proprietary games. This is similar to what is required for allowing gambling promotions to be put on proprietary games by operators.

Galaxy Gaming provided staff with a copy of a letter from October 2011 from the Nevada Gaming Control Board that approved their modifications to their gaming system called Mega Share, which is in play. The game system allows linking of prizes over multiple tables. New Jersey currently does not allow this.

Staff has concerns about:

- how licensees would identify what player had a winning hand at a different table
- how they would notify other tables that had an envy or share the wealth wager that a jackpot had been won
- how they would identify the jackpot pay table if it is a different pay table on different types of games
- whether the winner of the envy or share the wealth prize throughout the card room was notified.

The rules petition addresses required internal controls; however the complexity of the various games and the tables being connected may lead to some complaints from players. Staff would be required to approve any game changes or any changes to the licensees' internal controls. Staff currently has a process where they would require a deposit and recover the cost of investigating or review time for the game rules, but not for internal controls. Staff may receive complaints from the public who had placed a bet, did not get paid, and should have qualified. Potentially, staff may have to develop internal control guidelines for operators to follow. Historically, the Commission has limited the number of games played within a hand and not allowed card games to be connected. This proposal would allow additional bonus features to be tied to progressive jackpots. The Commission may wish to consider whether or not this proposal is consistent with the legislative intent of RCW 9.46.010. Although it does increase the number of features on a game, it does not increase the total amount being wagered on the game.

If the Commission decides to file the petition for further discussion, staff would most likely propose a staff alternative at the January 2012 meeting that would clarify some terms and recommend some housekeeping changes.

Director Day asked AD Harris to explain some of the additional features this petition would allow. **AD Harris** replied the current features that are allowed would be envy and share the wealth. There are a couple more that are tied to specific games, which have different names like five aces. Basically, if players put a wager over a certain dollar amount, it qualifies them for an additional payout. They do not have to place a separate wager, but if the wager is over a set dollar amount, they are entitled to the separate payout bonuses. **Director Day** asked AD Harris to explain what progressive feature might be in one of these games. **AD Harris** responded that progressive jackpots would be the basic one. If players get a set hand, they win the jackpot, which accumulates over time based on how much the player's wager. A portion of the wager would go to that jackpot and continue to grow. Usually the winning hand for that is pretty hard to get, like some type of flush, straight flush, or royal flush. Right now, they are usually just tied to a specific hand, but this proposal would allow them to tie a progressive to an envy or share the wealth, or some other different feature, which currently is not allowed in WAC rules. **Director Day** asked if AD Harris could differentiate between the player-supported jackpot and this progressive. **AD Harris** explained that a progressive jackpot comes out of part of the general wager on the game. Basically, it is the house's money as to how they put it out or break it out. On a player-supported jackpot it is a specifically separate wager that a player makes, and those are usually just on poker games. All that money is the players' money and must be returned to the players.

Chair Ellis asked if someone would like to speak on behalf of the petitioner.

Mr. Robert Tull, a lawyer in Bellingham who represents the petitioners, stated he appreciated the staff review. He asked that this petition be filed. He explained he would come back and address a few points in a minute. First, Mr. Rob Saucier of Galaxy Gaming was going to add some business perspective and technical information regarding this petition, and then Gary Saul of Rockland Ridge Corporation would speak very briefly.

Mr. Robert Saucier, Galaxy Gaming, explained he was one of the co-petitioners. He thought AD Harris had explained very well what they were doing. Mr. Saucier directed the Commission's attention to the diagram, explaining if they looked at the wager that was placed in the circle on the right hand side that says Emperor's Treasure, in that particular game if the wager is \$5 or more, the player qualifies in this case for an envy. The dollar amount is really determined by the game. It is not a regulatory issue, except that under this same rule there are up to four wagers allowed, but the fourth wager may not be more than \$5 and that does not change. Mr. Saucier explained the envy or share the wealth is like buying a ticket to a Broadway show. Buying the cheap seats in the back will still let people see the show, but if they want to be down by the orchestra pit they are going to pay more. But both are going to be able to see the show. So this is a way for somebody if they bet the minimum wager, which may be \$1, they are going to be entitled to a pay table and win. But if they pay a premium, they are going to be entitled to the bonus. And in this case, the bonus is on whether or not another player achieves a certain winning event. This has been extremely popular in Washington since house-banked card games were allowed in the state. When players qualify for one of these, currently any player at the table that has a winning event is going to be paid their jackpot that they win, but the other players at the table are also going to receive a bonus. And that is where the term envy comes from, because the player is envious of another player's hand. Share the wealth says the person who won is going to win, but they are going to share that jackpot with the other players. That is where the terminology comes from. This proposal is simply that the petitioners want to take that concept, which is a great concept that is limited to one table, and expand it to multiple tables within the same card room. So now that it is not just the players at one table, but players at another table get a winning hand, they can now share in that. So the idea was not actually trying to create larger jackpots, but instead they were trying to share that jackpot with more players. For example, if an establishment has a \$100,000 jackpot and if a single player wins that, they win the \$100,000 and everybody else maybe gives him a high five but they go home knowing that they did not win. Under this concept of share the wealth, or mega share, all the players who qualified would be able to share in that \$100,000 jackpot. Instead of having one player win the \$100,000, there could be 100 players each winning \$1,000. And there is a lot of community excitement within a casino when that happens. So that is really the stimulus and the whole purpose of the proposal. Other than that, Mr. Saucier thought everything else had been covered pretty well on what the proposal is about.

Director Day asked Mr. Saucier to explain the different wager spots that are shown on the diagram. **Mr. Saucier** explained there are five circles, but only three of those circles are

actually wagering positions. Directly above the “L” there is a red chip in the center of a circle. That is the primary bet for the game of Pai Gow Poker. That is where the player is playing heads up, them against the dealer. They are trying to get a higher hand than the dealer. That is what that first wager is. The one to the right that says Emperor’s Treasure is where the player is playing against a pay table. So regardless of what the dealer’s hand is, if the player has a straight, they are going to get paid maybe 5:1 or something like that. So they are playing against a pay table, not against the dealer. The envy is when the Emperor’s Treasure wager is over a certain amount. It is just a qualifier, which the envy lammer signifies. Directly to the left of the envy lammer is the bonus jackpot, which is typically a \$1 wager and could be towards a progressive jackpot. Again a pay table, but the jackpot is growing. That particular device seen on the diagram is actually a sensor that detects that the wager was placed, which is added game security. To qualify for mega share, that \$1 wager has to be a minimum of \$2. So if a person places the second dollar, the dealer would place another lammer on the circle that says mega share, which is also a sensor. So now the equipment knows that the jackpot wager was placed, but because the mega share sensor is covered, it knows that the jackpot wager was a \$2 wager and, therefore, the person qualifies for the mega share participation.

Director Day asked if it was the petitioner’s concept that these other wagering options be connected to other tables as well, or progressive in any fashion – for instance, the bonus jackpot. Would that be progressive or connected to other card games? **Mr. Saucier** replied they are today. That is a common practice in the state today – it is nothing new. The jackpots are connected at multiple tables of common games. **Director Day** asked if the approval in Nevada was for the same game, or limitations, or if there were differences between what was proposed there and what is proposed here. **Mr. Saucier** replied that he thought Nevada has allowed linked progressives since the beginning of time. Nevada has a restriction that if a progressive jackpot is linked, a pure progressive jackpot is linked on multiple games, the odds within the games have to be within 5 percent of one another in terms of qualifying for the progressive jackpot. As far as a progressive jackpot that the player would win, game specific, that would certainly be adhered to. However, when it came to his mega share, because all of the players are sharing one jackpot, there was no need for that requirement. So that requirement was waived in Nevada, which is how his approval came about. Nevada does allow all the different games to be linked into one common shared jackpot.

AAG Ackerman asked for clarification on “Supplemental Information” that was included in the back of their rule petition. It says from a handful of games provided by just a few companies approximately 13 years ago, there are now 145 approved card games in Washington represented by 25 companies. He asked if Mr. Saucier was talking about proprietary offerings with the 145 number, not that there are 145 games like poker and blackjack. He asked what that 145 number represents. **Mr. Saucier** replied it was clearly proprietary games. **AAG Ackerman** asked if the five or so bets that Mr. Saucier walked through on the diagram factored into the calculation of the 145 games, and asked again what that 145 games represented. **Mr. Saucier** explained that Washington has a terminology problem as to what a game is. Within this particular rule the petitioner defines a game. Mr. Saucier said they tried to redefine the term as a sub-game or tried to

use some other terms. In the rule, each of the wagers is considered a separate game. But he thinks of this as one game – Emperor’s Challenge – and it has a number of features within the game, a number of different types of wagers within the game. So the number that he gave was essentially a physical count off the agency’s website. That is how many games that they saw that were approved and that was approximately how many companies they saw that had those games. **AAG Ackerman** asked if, for purposes of Mr. Saucier’s count, the diagram represents one game, not five games. **Mr. Saucier** affirmed that was correct.

Director Day asked if some of those features were then added to a different type of game, would that then require another approval of a card game? **Mr. Saucier** responded that any game that would have this type of linked feature in terms of a player being able to qualify for the shared share the wealth would have to be submitted and show what the qualifying events are for that player to be able to win in that shared jackpot. Currently his company has eight games approved in Washington. If they wanted all eight of those games to participate in this, then they would be doing eight submissions; fill out the paperwork, give the deposits, and go through all the approval process for those games.

Mr. Saucier added that one of the things they worked on with staff – and they certainly did not limit any of this in the proposed rule – the system that his company uses, which is the equipment that is seen there, is currently approved and operating in the state. But the issue is going to be how a dealer knows, when there are multiple players on multiple tables, which a player over there had the winning hand and, therefore, the player here qualifies. **Mr. Saucier** wanted to erase all doubt, which is why sensors are there that are lit and can detect the wager. Secondly, they have an event notification system that has not been submitted to the state lab yet. But with the event notification system, when a dealer sees there is a winning hand that qualifies they turn a little switch and strobe lights at every table immediately flash and everything freezes so they know exactly who qualifies and exactly who did not. Staff had some concerns about that, so it was addressed in **Mr. Saucier’s** sample internal controls that were submitted.

Vice-Chair Amos said he understood what **Mr. Saucier** was saying, but asked if currently the only tables that are in play in all the card rooms is Pai Gow that has the sensors. **Mr. Saucier** replied no, that this was just a sample game, but there are many, many games that have sensors and many games that have progressive jackpots. In Nevada, progressive jackpots can be and are commonly linked to the same game type. **Vice-Chair Amos** asked if Three Card Poker or Let It Ride, or anything like that, was included in this right now. **Mr. Saucier** replied no, but it certainly could be. Their proposal is not specific to any game or to Galaxy games but is a general proposal.

Mr. Gary Saul, co-petitioner Rockland Ridge, said it was interesting hearing the talk about 145 games. Nevada just celebrated their 80-year anniversary of gaming and **Mr. Saul** was involved with over 40 of that. When he started, there were four games and now they are talking about 145. That was it, four games when he started in the business: Blackjack, Craps, Roulette, and Baccarat. Four games and this is what they have come to now. There are hundreds of games out there. **Chair Ellis** commented the world was

simpler 40 years ago in many, many ways. **Mr. Saul** agreed, adding he has been around the state obviously, and has dealt with most of the commercial card rooms and tribal casinos and have spoken with everyone about this. There has not been one operator – not one – that has opposed anything that has to do with mega share. It is a very fascinating concept. When Caribbean Stud came out in the 1980s in Las Vegas, it was the first linked progressive jackpot out there, and it was new and different. Everything will change; it is inevitable. This concept of a shared jackpot is something that is very dynamic. If you think about it, when someone walks into a casino and sits and plays, they can make a wager that if anybody else in the place gets lucky, they are going to share in that jackpot. If anybody wins a big jackpot, they are also going to get a piece of the action. So it is an interesting concept that has not been thought of and done before. There has not been any opposition. Most people are pro this. Everybody likes the concept. It is not nearly as difficult as it sounds. When this is explained, it sounds very complicated, but it is not as complicated as it looks. It is pretty simple, to be honest. It is just a shared jackpot and it can be done on as many games as are in the establishment.

Chair Ellis asked if anyone else from the audience would care to address this proposal.

Mr. Victor Mena, Vice President of the Recreational Gaming Association, stated the RGA would like to have this proposal pushed forward and filed for review. The RGA feels that the card rooms in the industry would benefit from this as an extra feature for the games that are currently available.

Mr. George Teeny said he was asked to come up and speak on the subject, which he would have done anyway. He has been in the business for the past 25 years and primarily in Washington State. The clubs that he runs are basically social clubs; they are not the big box stores that can be found throughout this state. The camaraderie is there. If anyone has ever been in his clubs for any length of time and they hear somebody yell and scream because they hit a jackpot at one of the tables, it permeates the room. Everybody gets excited, everybody rubbernecks to look around to see what happened, and then they are saying “oh, that guy is so lucky” or “that gal is so lucky.” Mr. Teeny said he was actually a little jealous of Mr. Saucier that he thought of this particular concept and Mr. Teeny did not – for the application to put 105 people as all part of a jackpot win. Mr. Teeny said he was more of a poker guy than a pit guy. In the poker room they have something similar and it was brought forward with these PSJs where if one hand beats another hand, there is a jackpot that has been created and is distributed between the two winning players. He has found out that if he takes part of that jackpot and spreads it among the other players at the table, that camaraderie is built up, the high fives are given, everybody is excited. If they win \$200 or \$300 or whatever that amount is as a side player, the excitement cannot be matched. Mr. Teeny said he actually did the same thing for his entire poker room. When a jackpot was hit, the money would not just be distributed to the one or two players that normally would solely get the money, but was spread to all the poker players. There was an unbelievable amount of energy and excitement. He thought this was one of the things that would work in the pit as well. And like he said, he was a little envious of Mr. Saucier that he came up with this concept and Mr. Teeny said he was going to have to think how he can get a piece of this. It is a great idea that he thought would be a very positive thing

for these rooms. It is a social club where everybody basically knows everybody. He thought it was a benefit, from an owner's perspective and not speaking for the RGA but speaking for himself, that it is a great concept and should be moved forward. There are little to no costs or concerns, hopefully, from the Commission or from the clubs themselves.

Chair Ellis asked what the typical minimum hand was to win a player-supported jackpot. **Mr. Teeny** replied that in his club he has four of a kind being beat by a better hand, so it could be four of a kind or it could be a straight flush. Some facilities will have a large full house, aces full of something being beat by a larger hand. **Chair Ellis** asked if those types of hands occur very often. **Mr. Teeny** replied that in his club where four of a kind is beat by four of a kind, it hits once every 26 days.

Mr. Tull said he wanted to emphasize a few points. First, filing this, as the Commission knows, commences a more intensive review opportunity for the public and for the Commission, and of course gives the petitioner an opportunity to respond in detail to questions that may arise, or to comments that have been submitted. So he looked forward to that opportunity. Certainly any aspect of staff questions, Commissioner questions, public input, the writings, or the various letters, Mr. Tull could address those as formally as the Commission wished. He can make written submissions or just deal with them as the Commission directs. Mr. Tull asked that the Commission commence this process and go forward. The staff has given a pretty clear direction over the last month or two, and Mr. Saucier has responded to that direction. In the way Mr. Tull read the staff report, their regulatory concerns have essentially eliminated the necessity of internal controls for the actual operations of games. Because as AAG Ackerman pointed out, there are 145 games. Some of those manufacturers – there are 25 manufacturers – may choose to adopt this. Nothing in this rule would prevent any other manufacturer from coming forward. There is nothing about the proposal that can only be accomplished by Mr. Saucier's technology. Anybody else can apply. It can probably be done without a lot of technology, but that is going to be a harder thing. The technology does make it easier for this to be safely regulated. Staff mentioned there could be complaints. That is something the operators are going to look at very, very carefully. If they find that the system is not working, that it is not producing the camaraderie or, as he liked to put it, the sizzle that people are looking for, then those games will not succeed. So there are aspects of it that they can explore more with the Commission in the next month or two. The key thing is no one – no manufacturer, no card room, no tribal casino – has to adopt any aspect of these proposals. If they want to, they can. If another manufacturer wants to come forward, it can. If it cannot convince a card room operator that their system is going to work, then it will not be adopted. So from Mr. Tull's perspective as a non-gambler, this is a marketing feature. Mr. Teeny described it nicely as part of the camaraderie of these smaller facilities, but it will play in different places and some people will like it and some people will not. So Mr. Tull asked that it be filed. Staff did point out the review costs for each of these games as they come forward to propose a method of participation – those are recoverable costs for the Commission, and Mr. Tull thought the staff could require that the manufacturer submit proposed internal controls. And if not, the marketplace is going to be because the operators are not going to want to have to invent internal controls to make some manufacturer's

game work. They are going to insist that it be reviewed, and he thought staff could review that and be reimbursed. Mr. Tull said he was just trying to emphasize that the economic impact on the staff should be fully recoverable; and if it is not, then ways could be found to do that. Mr. Tull said he certainly appreciated the Commission's time today. Mr. Saucier can answer any technical questions. He thought it was appropriate to file the petition. They are more than happy to work with staff in the interim to make sure the proposed revisions are integrated. Mr. Tull thought that was a good way to make things move forward and asked that it be filed for further consideration.

Ms. Dolores Chiechi, Executive Director of the Recreational Gaming Association, said she knew that the Governor reinstated her moratorium (inaudible) promulgation. In the memo from her staff it indicates that rule making proceedings are non-critical – the rule is – and the last item is beneficial to or requested or supported by the regulated entities, local governments, or small businesses that it affects. She thought the Gambling Commission is a unique agency that a lot of times the businesses or the regulated come to the Commission and ask for regulations and controls that allow them to continue to do business, where other agencies tend to over-regulate and become burdensome on small businesses. In the last couple of years, it seems the Commission has been somewhat gun shy to file these for discussion purposes because it may imply approval at the end of the three months – “if we file it, then it seems that we may feel compelled to approve it.” Ms. Chiechi urged the Commission to consider that the dialogue that would take place over the next several months on this rule would be a worthwhile conversation. She urged the Commission to file this rule for that conversation to take place, as opposed to setting it aside and not making a motion to do so. She did not believe that anyone here believes that filing would imply approval at the end. The RGA has canceled a bunch of meetings because there was nothing to talk about, so she thought it was worthwhile to have a conversation and would appreciate the Commission considering filing this rule for further consideration.

Chair Ellis suggested that if anyone was of the opinion that the Commission's accepting a rule for filing and further discussion implies approval, they may think back to the first item on the agenda this morning and realize that an enormous amount of work went into a petition that was ultimately not accepted.

Assistant Director Harris clarified that when they were talking about linked jackpots in the state; the two areas that he was assuming they were talking about are player supported jackpots on the poker side, which is what Mr. Teeny was talking about. Then the other progressive that was linked, AD Harris did not know if there were too many places still out there that have multiple progressive jackpot games for blackjack in their establishment. They would have two games in an establishment and the combined jackpot was linked for the prize on that. Back in the heyday, that and Caribbean Stud had some linked jackpots.

Chair Ellis asked if a player supported jackpot was limited to poker as both AD Harris and George Teeny indicated. **AD Harris** affirmed. **Chair Ellis** asked if there were five poker tables in an establishment would all of the players contribute a certain amount to a player-supported jackpot fund that is available to be won at any of the five tables. **AD Harris** affirmed that was correct; that it is all pooled together for the most part. There are other

types of things that they do like high hand of the day or if players get a set like four of a kind, they get \$50. That would all come out of that jackpot also.

Vice-Chair Amos: made a motion seconded, with hesitation, by **Commissioner Rojecki** to file for further discussion Amendatory Section WAC 230-15-040. *Vote taken; the motion passed with three aye votes.*

Director Day asked if the Commissioners would like this rule petition put on January's agenda just for Discussion because there seems to be a lot of interest in it. In many cases, rule petitions just go on a study session agenda and are not included on the Commission's agenda itself. Director Day also wanted to make sure the Commissioners felt like they were sufficiently up to speed on what was being requested in the various combinations, or if they would like staff to develop further demonstrations to make sure the topic is clear.

Chair Ellis and the other Commissioners thought it would be useful to have both the petition for rule change on the agenda for discussion at the January Commission meeting and also another staff presentation on the topic.

14. Petition From the Public: 50/50 Central Ltd.

Electronic Raffle Systems and Removing the Annual \$80,000 Raffle Prize Limit

- a) New Section **WAC 230-11-200** – Defining “electronic raffle system”
- b) New Section **WAC 230-11-205** – Operating requirements for electronic raffle systems
- c) New Section **WAC 230-11-210** – Leasing electronic raffle systems
- d) New Section **WAC 230-16-152** – Remote access of electronic raffle systems
- e) Amendatory Section **WAC 230-11-065** – Raffle prizes
- f) Amendatory Section **WAC 230-11-067** – Requesting approval to offer raffle prizes exceeding forty thousand dollars per prize (~~(or eighty thousand dollars annually)~~)

Assistant Director Harris reported the petitioner, 50/50 Central Limited, was previously licensed as a manufacturer. The petitioner is requesting to add rules addressing selling tickets using an electronic raffle system, including selling tickets at a discount; increasing the number of discount plans available from one to four; and removing the requirement that raffle licensees must get approval from the Commission to exceed \$80,000 in prizes annually. The licensee would still be required to get approval for offering a single prize over \$40,000. The electronic system referred to as 50/50 was approved by staff in June 2011 and is currently the only approved system in Washington. In 50/50 raffles, 50 percent of the proceeds go back to the players or participants as prizes and the remaining 50 percent goes to the operator as their revenue from the activity. The system provides a receipt with the raffle ticket numbers on it to the person who buys a raffle ticket. It also prints out a receipt for the operator and generates a raffle ticket that is used for the drawing to determine the winner of the raffle. The tickets are sold at a cashier point-of-sale system or from members rotating through the audience. There is a personal digital assistant that prints out the receipts with the raffle ticket numbers on it. Then the information is sent back to the point-of-sale system that generates the raffle ticket that goes into a bin that the winners are drawn from. The system meets all the requirements of a manual raffle system, but does not address the selling of tickets at a discount for bundling purposes. The system

does not bundle tickets, but prints out a ticket that has multiple numbers on it, which currently does not meet WAC requirements. There are no rules in place that specifically address an electronic raffle system. Although it meets all the requirements of a normal raffle, staff would have to work with the licensee on:

- developing a definition of an electronic raffle system.
- additional requirements that would need to be followed because it is an electronic system.
- requirements addressing leasing of raffle equipment because there is nothing in place directly for a manual system. The leasing language was crafted after the electronic bingo dauber rules.
- remote access to the system to do repairs and maintenance. The language for remote access was crafted similar to what has been approved for surveillance systems in house-banked card rooms.

The proposal eliminates the need for Commission approval for prizes totaling over \$80,000 per year. With most of the 50/50 raffles, when the tickets are sold, the cash is available to be awarded for the prizes. So multiple raffles could be held throughout the year and the licensee may not know when it is going to actually hit that \$80,000 limit. Then they would have to come to the Commission to get approval for exceeding the limit. The proposal leaves in the requirement for the \$40,000 single prize for the Commission to approve.

According to the petitioner, there should be a potential to increase tickets sold and increase revenue to the nonprofit organization. Raffle licensees will be able to award more than \$80,000 without having to get approval from the Commission, and they would likely be able to conduct a lot of smaller raffles over the year without being required to predict when or if they were going to hit that \$80,000 limit. There is the potential to make it easier for staff to audit raffles because it would be electronic and the information would be recorded in the system. It would also be able to produce reports that staff could use. Staff would no longer be required to review documentation submitted by licensees that were going to exceed the \$80,000, and the Commission would no longer have to review and approve those licensees that were going to exceed \$80,000. Staff may have to develop a regulatory program to look at those types of systems. Staff recommends filing the petition for further discussion.

AAG Ackerman asked if there was a limit on the number of raffles that a licensee could offer during a year. **AD Harris** replied not if they have a license. **AAG Ackerman:** asked if, under this proposal, the licensees could offer a raffle every day with a maximum prize of \$40,000 per day, assuming they could financially support that and they chose to do it. **AD Harris** affirmed. If the prize was over \$40,000, they would have to get approval for the individual prize over \$40,000. **AAG Ackerman** asked if the \$80,000 figure was originally put in as an annual control over the amount that was being awarded through raffles by a licensee without Commission approval. **AD Harris** affirmed that was correct.

Chair Ellis asked if the ability to offer a raffle was limited to charities and nonprofits. **AD Harris** affirmed that was correct. **Chair Ellis** thought the concept of a daily raffle being sold in the context of a commercial raffle would raise significant regulatory concerns. If

the Commission accepts this petition for further discussion, they can talk further about whether there are any regulatory concerns with the possibility of an abuse of what the Commission has in mind under this petition.

Senator Prentice pointed out there may not be regulatory problems, but as she recalled, the difficulty the Commission had just in raising the raffle [limit?]. She said she could not speak for the rest of the Legislature, but she recalled there was great reluctance in opening that up. Senator Prentice thought there would be unhappiness if the legislators felt something had gotten slipped over on them. **Chair Ellis** agreed, adding if the Commission does accept this for further discussion that would certainly be something that would need to be addressed.

Chair Ellis asked if the petitioner was present; no one stepped forward. He called for public comment concerning this petition.

Mr. Tull, speaking as a private citizen and in the role of an attorney who occasionally does pro bono work for charities when they are in the raffle business, said he was currently working with a large nonprofit in Seattle that has some ideas for a raffle. It does not involve electronics and it is not a repeated type thing, but it would be a big event once in awhile. What was appealing when he glanced through this petition was the idea about the scheduling of Commission meetings and the vagaries of the presence of Commissioners. Mr. Tull thought this proposal, among other things, would more summarily delegate to the staff the review of these larger raffles, which would remove the requirement for each one coming before the Commission. He asked if he understood that correctly. From a practitioner's standpoint and from working with these charities, it would make timelines a little bit easier to work with. He added he may or may not have further comments if the petition does go forward. Getting off of the vagaries of the Commissioners calendar could be an improvement for entities that come forward. They would still have to satisfy all sorts of requirements that may or may not be relevant to any of these other proposed changes. Mr. Tull said he knew from time-to-time the Commission benefits from hearing about these things and benefits from the proposals. He could not speak against it as a matter of policy, but from a practitioner's standpoint having a more predictable timeline would be useful.

Chair Ellis said Mr. Tull was probably a step ahead of him. He hoped Mr. Tull realized the effect of this petition would be to eliminate the requirement of staff review and Commission review when a charity or nonprofit has raffles that exceed \$80,000 in a year. **Mr. Tull** replied he was reading it as requiring staff review. Staff would have to make sure that the mechanics were absolutely in place and that the applicant otherwise qualified. So in a way, it could be read to mean that the issue of size was really a regulatory function on more of an administrative level than as a policy thing. But again, that is just a quick reaction from what he saw in the packet. He was not authorized to speak on behalf of the nonprofit he was working with; they were just his thoughts. He added that he thought Senator Prentices were right; there are limits. But raffles have been an important tool for groups he belonged to over the years, groups he has worked with. He agreed everybody wants more and bigger, but sometimes it can be done in a healthy way. He would think it

would be worthwhile to file this to see what shakes out. Maybe there are some aspects of it that ought to go forward, ultimately, and maybe others that he did not understand yet.

Mr. Ric Newgard stated Seattle Junior Hockey was in support of filing this petition. Being one of the hockey groups that sell raffle tickets, or the 50/50, when applying for a raffle license, they have to apply for a certain class of raffle license. So the Commission does review the level in which an applicant is asking to secure a license. This review of over \$80,000 – they run a raffle at every hockey game – so if there are 45 hockey games in a season, they run 45 of the 50/50 games, which guarantees that 50 percent goes to the customer and 50 percent goes to the team that is running it, so there is no risk involved. The \$80,000 approval is just – they do not know how many games or how many people are going to buy tickets, so it is a timing thing. Once again, applicants are reviewed based upon the license class being applied for, so it is not that there is not a review process because there surely is. Anyway, Seattle Junior Hockey supports the filing of this petition.

Vice-Chair Amos asked if Mr. Newgard was currently selling 50/50 with a roll of tickets where one is split and put it in the bin and the numbered one is kept. **Mr. Newgard** affirmed that was what Seattle Junior Hockey does.

Director Day clarified that, as the rule is currently proposed, it would eliminate the \$80,000 requirement, but on the other hand, everybody that participates in a charitable/nonprofit already has been vetted by the Commission and must follow the standards of maintaining a raffle and are subject to audit.

AAG Ackerman thought it was unusual to not have the petitioner either appear or submit something, and asked if AD Harris had heard anything from the petitioners. **AD Harris** replied he had not. **AD Griffin** responded the equipment has been approved. They were a licensee, but were bought out a few weeks ago so they are not currently a licensee. AD Griffin thought the petitioner will be continuing to work with staff to go through the pre-licensing process again. She has not heard from them recently, other than in regards to their licensing issue. **AAG Ackerman** asked if the business was still in existence. **AD Griffin** replied the business is in existence, but they were bought out, and because they were bought out 100 percent, that voided their license. They do wish to regain their license status and have been in contact with staff. **Director Day** added there was a letter in the file dated November 3 indicating the individual responsible is Blair Smith. They were notified that this hearing would take place today and Susan Arland, staff rules coordinator, has been in touch with him.

Vice-Chair Amos made a motion seconded by **Commissioner Rojecki** to accept for filing and further discussion the proposed new rules, WACs 230-11-200, 230-11-205, 230-11-210, 230-16-152, and amendments to WACs 230-11-065 and 230-11-067 as presented by staff. *Vote taken; the motion passed with three aye votes.*

Director Day asked if the Commissioners would like to have this topic included on the January Commission meeting agenda for Discussion only. There has been some interest in the part of the rule that addresses the \$80,000, which staff will look into. **Commissioner**

Rojecki affirmed he would like to have it on the January Commission meeting agenda. He noted that Senator Prentice had brought up the issue about legislative declaration, or at least the intent. The Commissioners need to understand the discussion at the hearing and what the intent was when the removal was brought up. **Senator Prentice** added that the thing she remembered was that it took several years just to raise the limit from \$25 to \$100. And she was thinking that if the Commission suddenly made that big leap, it might offend some legislators. She said it was just that she has a long memory. **Director Day** said staff would include the rule petition for discussion only on the January Commission meeting agenda. Staff will take a look around those specific areas and include their findings in the rule summary. **Chair Ellis** agreed that would be good.

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

Chair Ellis opened the meeting to other business, general discussion, and comments from the public; there was none. The next meeting of the Commission will be at the Comfort Inn and Conference Center in Tumwater on January 12 and 13.

Adjourn

Chair Ellis adjourned the meeting at 11:47 a.m.

Minutes prepared by:

Michelle Rancour
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