

**WASHINGTON STATE
GAMBLING COMMISSION MEETING
THURSDAY, SEPTEMBER 12, 2013
APPROVED MINUTES**

PUBLIC MEETING

Chairman Mike Amos called the Gambling Commission meeting to order at 10:55 a.m. at the Grand Mound Great Wolf Lodge and introduced the members present. He welcomed Commissioner Geoff Simpson and Representative Christopher Hurst.

MEMBERS PRESENT: **Commissioner Mike Amos**, Selah
 Commissioner Margarita Prentice, Renton
 Commissioner Kelsey Gray, Seattle (*arrived at 11:40 a.m.*)
 Commissioner Chris Stearns, Auburn
 Commissioner Geoff Simpson, Issaquah
 Representative Gary Alexander, Olympia
 Representative Christopher Hurst, Enumclaw

STAFF: **David Trujillo**, Director
 Mark Harris, Assistant Director – Field Operations
 Tina Griffin, Assistant Director – Licensing Operations
 Amy Hunter, Administrator – Communications & Legal
 Callie Castillo, Assistant Attorney General
 Gail Grate, Executive Assistant

Agenda Review/Director’s Report

Director Trujillo welcomed Commissioner Geoff Simpson. He briefly reviewed the agenda, noting that staff was not requesting any changes to the agenda. He indicated that an executive session would be needed to discuss pending investigations, tribal negotiations, and litigation, which he anticipated would last about an hour.

Director Trujillo pointed out a letter from Governor Inslee appointing Geoff Simpson to the Gambling Commission and a letter from the Lieutenant Governor appointing Senator Mike Hewitt to fill the vacant ex-officio position. He drew attention to a news article titled "Romanian Princess Among 18 Busted in Local Cock Fighting Ring," which referenced Agent-in-Charge Gary Drumheller who is the manager in our Spokane office. Not only was AIC Drumheller the spokesperson in the news, he and approximately 18 other Gambling Commission agents were involved. The article titled "Officials Charged as Part of Video Gambling Ring" involved a city councilman, a police chief, and a local Frank Sinatra impersonator, which came about after a wiretap from someone nicknamed "Porky."

Director Trujillo reported that staff has been working with the industry to address some of their concerns relative to the fingerprinting of landlords, which was addressed at the August Commission meeting. That will probably not appear at the October Commission meeting, but will likely be presented at the November Commission meeting. He reported that at the June Special Commission meeting the Commissioners expressed their desire to have a strategic topic discussion. Staff has begun collecting some strategic topics, which Director Trujillo plans to send to the Commissioners within the next couple of days to get them thinking along that path. He would then solicit feedback from the Commissioners and begin to build some sort of agenda. Director Trujillo anticipated the Strategic Planning Session would be on the second day of the October Commission meeting in Spokane, and would be continued at the November Commission meeting in Tumwater.

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

Legislative Update

2014 Agency Request Legislation

Ms. Hunter reported that all agency request legislation must be submitted to the Governor's Office for approval by Monday, September 15. Based on the Commission's current financial situation, staff recommends legislation to increase fees by up to 5 percent. The Gambling Commission has not had a fee increase since 2008, so by the time the increase would actually get implemented if it were successful, it would be six years. The increase was 5.53 percent in 2008 and the fiscal growth factor has increased since 2008 by 23.7 percent. Staff is asking for the Commissions' formal approval to submit the agency request legislation. It would still be a long process. Staff would wait to hear back from the Governor's office on whether it was approved to pursue legislation, and then staff would be going through the legislative process itself, and ultimately rules would be presented to the Commission to pass to implement the increase in fees.

The information included in the agenda packets is pretty close to what staff would propose as the final packet. Ms. Hunter was looking for feedback from the Commission on whether there was some part that seemed unnecessary or anything they thought should be reworded. AD Harris and Mr. Hunter would be doing final edits to the agency request legislation and entering it into a new electronic system. There were some questions raised at the July Commission meeting about what the fees were and what a 5 percent increase would mean, so staff included the actual possible fee rules with a 5 percent increase. Also included in the agenda packet was the actual agency request legislation that would be submitted. Staff provided the Commission with a checklist on the first page, which would not be included in the agency request legislation packet. Ms. Hunter wanted to make sure the Commission knew the different categories that staff needed to focus on.

The powers and duties section of the Gambling Act RCW requires the Commission to set fees to generate funds that are necessary to cover all cost of licensing and enforcement. Generally, fees are set by gross receipts. As gross receipts increase, whether for bingo or pull-tabs, typically the license fee increases also. House-banked card room fees are not set on gross receipts but are set

on the number of gambling tables. The statement of need explains that if the Gambling Commission is not able to increase fees, staffing levels will need to be reduced further. The Commission has already reduced its budgeted FTEs by about 22 percent in the past ten years, in part with the use of technology and a lot of process improvements. Leadership staff has looked very closely at the workload whenever someone has left the agency and has had very detailed conversations about whether that position needed to be filled or not. There have been many positions that were decided not to fill because it was felt the staff level was at the right spot for the workload. FTEs are at the point where staff felt it was at the right number. If there are more staffing reductions, it will be very difficult to carry out the Commission's public safety mission. The Commission has already made a lot of regulatory changes. The Gambling Commission is the only statewide agency devoted to gambling regulation, licensing, and enforcement.

The Legislature came up with a model 40 years ago because of different things that had gone on in the state. It is a model that has served the state well. The number of high level scandals has not been very high, partly because of having an agency that has taken this mission very seriously and has done the best job to do the work that makes the most sense. Staff wants to make sure there is not some type of scandal that ends up having people lose their confidence in gambling, because there would be other impacts of that. This is an industry that employs many people, and if the public decided there was a scandal that was so big they were not going to go into the different locations, that would be a big consideration in the state. That has not been talked about much at these meetings; staff focuses more on the work that is being done as opposed to stepping back and thinking about the structure and what has worked well. The packet goes over the details about the different things staff investigate and how many hours are spent. Complaints are taken very seriously and staff follows up very quickly; typically within a 24-hour period. Also included in the packet are the different task forces staff are on because that work really is critical in bringing together all of the different resources in the state.

Ms. Hunter explained the 5 percent increase equates to increasing the Commission's revenue by about \$355,000 a year. She explained some of the different outreach programs that staff has done: newsletter articles that go out to all of our licensees; a survey has been posted on the agency website for a couple of months; letters were sent to the different Tribal Chairs; agents have gone out and done personal outreach to licensees, which they fit in with their regular work. The licensees are being asked two things, part of which was talked about last month with Representative Alexander to get input on what things the industry would like to see the Commission assist them with; if there is any particular training that would be useful; other ideas. Staff has not received a lot of new ideas. There has been an understanding that, although there has not been enthusiasm for a fee increase, there has been an understanding that there has not been a fee increase for several years and the cost of business keeps going up. That was somewhat reflective in a different vein of some of the survey results that staff have had on our website. Staff has received a few ideas from the survey, but Ms. Hunter thought staff might get more ideas from the licensees by asking them what staff might be able to do.

Ms. Hunter believed that at least 4,000 organizations and individuals were reached to make them aware of the online survey, and about 39 responses have been received. Two licensees supported the fee increase, two were neutral, and the remainder was not in support of it, which gets back to

it being hard to be enthusiastic about anything increasing. The good thing is staff has received responses from a good cross section of our licensees; from small licensees, large licensees, manufacturers, distributors, to card room employees.

Staff requests approval to submit the packet to the Governor's Office for up to a 5 percent increase in fees.

Chair Amos asked if there were any questions; there were none. He called for public comment.

Mr. Chris Kealy, current owner and operator of Iron Horse Casino said this fee increase situation came up and got on his radar. For those of the Commissioners who do not know him, he explained he has been in this industry since 1998. He is currently the Past President of the RGA and said he was speaking on behalf of the RGA, which represents the card room industry in general. In the past five years, he has taken over, through receivership processes and otherwise on behalf of banks, almost 20 mini-casinos. This recession has been hurtful and most of his takeovers involved closing the facilities and unemploying everybody. He said it was an interesting task to do. Sometimes people forget that when you let people out of one job situation because it is no longer viable, they go and get another one better and more suited to their future lifestyle. Sometimes it is looked at negatively that the 5,000 employees that have been lost over the past five or seven years are somehow sitting in a cardboard box somewhere, but people want to live and they move on, which he appreciated. He stated he could not concur with any of the numbers he saw on this budget presentation. He referred to the minutes from the August 10-11, 2006 meeting that talked about 174 FTEs at that point. Then Senator Prentice, now Commissioner Prentice, questioned the impacts and trends of licensees going out of business. Then Director Day responded that currently total licenses were at 95 to 96 and he expected that to be steady. The decline in that activity would be met by the growth in the tribal activity. The minutes go on to cite other numbers that are consistent with where the industry was at that moment in 2006. But the FTE high water mark of 194 back in 2002 or so was not really the standard high water mark.

Mr. Kealy said that he reviewed the graphs from the budget presentation that was given last month, and wanted to help the Commission understand that they measure the number of employees the Gambling Commission was regulating at that point, which drifted down to a reported 19,008. But tribal gaming units really regulate the bulk of those employees. When looking at the private side of the industry, which is where the Commission is looking for this fee increase, that decline has been well over half of the employees. When looking at the pull-tab industry, card room industry, the pie charts, and every other indicator provided, they show that they are in an all out decline as an activity, and regulating that activity in declining amounts to modules on buildings. Mr. Kealy said he has had his building for 14 years, so a key control module on that building does nothing. It can show up next year, and it is the same keys as last year. There is not a lot of regulating going on. He reviewed the history of the finances of the Gambling Commission, explaining he had been around for awhile. There was a \$5 million sweep early last decade that netted a revolving fund that operates at or near zero, and really uses a seizure fund category that somehow the Legislature has not found. So the Commission has this seizure fund that has become the balancing act for the operational account. And in that

operational account, Mr. Keely said he has not seen the cuts necessary to match the decline of the regulatory mission and regulatory work of this agency. The bulk of the growth of the industry has been in the tribal arena, where they have grown their own regulatory bodies and really deserve recognition for that. When the tribes started, they may not have known what they were doing – not to say the Gambling Commission knew what it was doing – everybody was growing into this industry in this state, but tribal compacts and other things have recognized that to be their body of work. This Gambling Commission does not do that work; this Gambling Commission has not done much for the card room industry either in the past five years. In its decline, it does less, less, and less. It is not out of laziness or anything else, just fewer people, fewer bodies, fewer activities, and fewer moments in time.

Mr. Keely said the other budgetary question marks the industry looks at over the past 10 years were: the \$5 million sweep; the Rule Simplification Process, which cost three years and a lot of activity which netted no result and Mr. Keely was still not sure what Rule Simplification did besides give lawyers less words to argue more time over; Tribal Compact approval; the \$4 million in seizure funds; the balance and what that did. The agency moved to a larger office for a shirking mission. He said he never did understand that move, was still questioning that move, and would like to see that repaired. Lastly, he saw that the Commission during this past 10 years in his experience has fought products such as ZDI's lawsuit and other products that could have benefited his industry at the time they were going through it. The industry spent money on it; it netted no result for them; and it would not net a result repairing it at the moment because the market share has shifted. Either way, it was not his concern. Mr. Keely said he was not happy to have spent that money. He has done some work to understand the dollar figures of that, which was over \$800,000 in expenses fighting products that he did not view that way. He said he was not here to say whether it would have made any difference at all, but he was just telling the Commission the money spent fighting it did not help him.

In conclusion, Mr. Keely said that, as an industry, they believe if the agency wants to get together on a task force basis and get involved with the card room industry, the pull-tab industry, and the tribal industry, he thought everybody would be willing to come to the table and say what they thought regulation would look like in 2014, 2015, and 2016, and what this Commission does for the industry in those areas. He said they were willing and wanted to be regulated; he needs them all the time, but the industry does not need increases in fees to a declining business when they have had the money in the past and did not spend it the way he could have. Now, he does not have it, and they do not have the mission either. Mr. Keely made one further point that, during the past ten years he has seen accounting principles change. He was all for audits in 2000 when he thought by 2010 he might be in a similar situation as a small tribal casino, but he is not there. During that period, they have seen September 11, and worse yet, they saw Sarbanes-Oxley and the meltdown of the national economic scene. So audits now are much more expensive, not for any benefit to the work that actually comes out. Mr. Keely said he suggested openly during the task force discussions that they talk about an opt-in model where maybe a different module is used by the Gambling Commission. Now that the new Director is from an accounting background, Mr. Keely thought it would be very suited in creating a model that says here, staff will do this body of work and regulate the industry differently and more intensely in this area and then they can opt-in to a reviewed financial or accomplished return, which would

be savings for the industry on a business side, and yet on a regulatory body side, he thought it would actually give them a more efficient way to look at it, and might be an opt-in revenue option on a positive note.

Chair Amos asked if there were any questions or other public comment; there were none. He thanked Mr. Kealy.

Commissioner Prentice made a motion seconded **Commissioner Stearns** to have the agency request legislation submitted to the Governor's Office. *The vote was taken; the motion passed with four aye votes.*

Approval of Minutes – August 8, 2013, Commission Meeting

Chair Amos asked if there were any changes that needed to be made to the minutes; there were none.

Commissioner Prentice made a motion seconded by **Commissioner Stearns** to approve the minutes from the August 8, 2013, Commission meeting as submitted. *The vote was taken; the motion passed with four aye votes.*

ADMINISTRATIVE PROCEDURE ACT PROCEEDINGS

New Licenses and Class III Employees

Assistant Director Griffin reported that, subsequent to the report in the agenda packet, a new house-banked card room, Lucky 21 in Woodland, was licensed on September 9. Their report will be in next month's agenda packet. There are currently 53 licensed and operating card rooms. She pointed out a pre-licensing report for the Eclipse Gaming Systems, a tribal lottery manufacturer located out of Lawrenceville, Georgia. Staff did not notice any unusual items on the list of new licenses and class III employees and recommended approval of all new licenses and class III gaming employees listed on pages 1 through 18.

Commissioner Stearns made a motion seconded by **Commissioner Prentice** to approve the new licenses and class III employees listed on pages 1 through 18. *The vote was taken; the motion passed with four aye votes.*

Chair Amos welcomed Commissioner Gray, who had just arrived at the meeting.

Defaults:

a) **Ervin S. Osorio, Class III Employee, Revocation**

Ms. Hunter reported that Mr. Osorio has a class III certification and was found guilty of conspiracy to distribute methamphetamine. The Yakama Nation Tribal Gaming Agency revoked his tribal license, so this would bring those two actions in line with each other. The Director issued administrative charges to Mr. Osorio by both regular and certified mail. The certified mail card came back signed, so staff knows that Mr. Osorio received it. The

charges notified Mr. Osorio that if he did not respond, staff would be requesting a default order to revoke his certification. Mr. Osorio did not respond, so he has waived his right to a hearing and the Commission may enter this order under the Administrative Procedure Act. Staff recommends the Commission revoke Mr. Osorio's class III certification.

Chair Amos asked if there were any questions; there were none. He asked if Mr. Ervin S. Osorio, or his representative, was present in the audience; no one stepped forward.

Commissioner Prentice made a motion seconded by **Commissioner Stearns** to revoke Ervin S. Osorio's class III employee certification. The vote was taken; the motion passed with five aye votes.

b) **Catheryn B. Abella, Card Room Employee, Revocation**

Ms. Hunter reported that Ms. Abella, while dealing poker at Wizard's Casino, was caught on surveillance taking chips on 17 different occasions for a total of \$23. The Director issued charges by certified and regular mail. The certified mail card came back signed, so staff knew that Ms. Abella was aware of the charges. A phone message was left reminding her of the deadline to request a hearing if she wanted one. Ms. Hunter explained, for Commissioner Simpson's benefit, that the phone call was an extra step that staff usually takes; although, it is certainly not required legally. Staff felt that if they were going to be asking the Commission to revoke someone's license, it was important to know that the licensee actually received the charges. At times, staff has found that there was a new address, so it allowed them a chance to reissue the charges. Staff is recommending that Ms. Abella's card room employee license be revoked.

Chair Amos asked if there were any questions; there were none. He asked if Ms. Catheryn B. Abella, or her representative, was present in the audience; no one stepped forward.

Commissioner Prentice made a motion seconded by **Commissioner Stearns** to revoke Catheryn B. Abella's card room employee license. The vote was taken; the motion passed with five aye votes.

Rules Up For Final Action

Staff Proposed Rule Change

a) **Amendatory Section: WAC 230-05-015 - Two-part payment plan for license fees**

Assistant Director Griffin reported the annual license fee is due in full at renewal, but by rule licensees are allowed to pay that annual fee in two payments if their annual fee is more than \$800. In 2012, there were about 612 licensees that participated in this program, with total license fees of \$1.7 million. Staff is proposing to add language to clarify for the licensees that participate in this program that they are obligated to pay the second-half payment of their annual license fee, regardless if they go out of business, they have their license revoked, or they surrender the license during their license year. In the past four or five years, staff have seen many licensees use this program more as a pay-as-you-go system

where they would renew, pay their first fee, operate the first six months, and then close their doors and not make the second payment. The uncollected license fees had a considerable increase during those years. In 2011, staff began seeking to collect those unpaid, second-half payments. Staff would put the licensees on notice, give them a letter with 30 days telling them of their outstanding debt, and work with them to collect payment. If staff were not able to collect any fees from the licensee, they would be sent to collections, following the process that is outlined by statute. The language in this rule is stronger in order to reinforce to the licensees that they have a payment obligation. Hopefully, it will decrease the number of licensees that are referred to collections. This proposal would remove subsection (3) of the rule that requires licensees to upgrade their license if they take in more than 50 percent of their gross gambling receipts during the first six months of their license year. If the licensees do not meet that upgraded license class level, staff refunds at the end of the year the difference in their license fees. Eliminating this section will actually save licensees time and money by not having them increase their license class if they do not anticipate their gross gambling receipts will put them in the higher license class for that year. Because these changes will bring the rules in line with current practice, staff recommends final action with an effective date of 31 days from filing.

Chair Amos asked if there were any questions; there were none. He called for public comment.

Mr. Chris Kealy said that when the Commission initiated the two-part license fee years ago, he thought it was best to just pay up front and then that was that. He was not a big fan of the two-part licensing process; just renew the license, pay for it, and that is that. He commented that it was in two halves: there was half a year and there was half the regulation if the licensee closed before then. He mentioned a situation where somebody closed over the halfway mark and then did not pay the rest of the bill. So, there again, the industry was being stuck with somebody else's costs. He said he was just a fan of one payment. And then the Commission also entertained credit, at one point, on individual licensees, which gladly was defeated. They should just want to renew their license and pay, because the Commission is a cash and carry business and really cannot afford to be a credit agency to licensees whatsoever. .

Chair Amos thanked Mr. Kealy for his comments.

Commissioner Gray made a motion seconded by **Commissioner Stearns** to adopt **Amendatory Section WAC 230-05-015, with an effective date of 31 days from filing. *The vote was taken; the motion passed with five aye votes.***

Staff Proposed Rule Changes: Implementing 2013 Legislation for Enhanced Raffles (ESSB 5723)

- a) Amendatory Section: **WAC 230-03-060** - Fingerprinting of applicants
- b) Amendatory Section: **WAC 230-03-320** - Substantial interest holders not required to be licensed representatives
- c) Amendatory Section: **WAC 230-03-325** - Office, clerical, or warehouse workers not required to be licensed representatives
- d) Amendatory Section: **WAC 230-05-335** - Representatives must not work before receiving a license
- e) Amendatory Section: **WAC 230-05-020** - Charitable and non-profit organization fees
- f) Amendatory Section: **WAC 230-05-030** - Fees for other businesses
- g) Amendatory Section: **WAC 230-05-035** - Individuals license fees
- h) Amendatory Section: **WAC 230-07-155** - Reporting annual activity for raffles, enhanced raffles, amusement games, Class A, B, or C bingo, or combination licenses
- i) Amendatory Section: **WAC 230-11-012** - Licensees may conduct a joint raffle
- j) Amendatory Section: **WAC 230-11-014** - Maximum raffle ticket price
- k) Amendatory Section: **WAC 230-11-020** - Record information on ticket stub
- l) Amendatory Section: **WAC 230-11-030** - Restrictions on ticket sales
- m) Amendatory Section: **WAC 230-11-040** - Place ticket stub in receptacle for drawing
- n) Amendatory Section: **WAC 230-11-050** - Using alternative drawing formats
- o) Amendatory Section: **WAC 230-11-055** - Authorized alternative drawing formats
- p) Amendatory Section: **WAC 230-11-065** - Raffle prizes
- q) Amendatory Section: **WAC 230-11-070** - Defining "members-only" raffles
- r) New Section: **WAC 230-03-152** - Additional requirements for enhanced raffles
- s) New Section: **WAC 230-03-232** - Applying for a call center license
- t) New Section: **WAC 230-03-317** - Applying for a call center representative license
- u) New Section: **WAC 230-11-002** - Definition of raffle as used in this chapter
- v) New Section: **WAC 230-11-102** - Recordkeeping requirements for enhanced raffles
- w) New Section: **WAC 230-11-103** - Independent audit required for enhanced raffles

Assistant Director Mark Harris reported that, during the 2013 legislative session, legislation was passed that authorized the Commission to approve up to four enhanced raffles where the grand prize for the enhanced raffle may be up to \$5 million. The only organizations that can offer enhanced raffles are licensed charitable/nonprofit organizations whose primary purpose is serving individuals with intellectual disabilities. The new law gives the Commission the authority to amend and create rules for this new type of activity and establish the fees necessary to regulate it. The enhanced raffle also allows charitable/nonprofit organizations to hire consultants to assist with this new type of raffles. The consultants for enhanced raffles can be licensed under current gambling service supplier rules; therefore, no new rule changes are needed for the consultant section. The proposed rule package contains 17 changes to existing rules and 6 new rules. AD Harris summarized the 17 rule changes:

- Adds call centers to, and exempts certain call center workers from, existing licensing rules.

- Adds a license fee for call centers, call center representatives and enhanced raffles.
- Adds the enhanced raffles to the annual reporting activity report requirement.
- Adds the enhanced raffle ticket price of \$250 to the rule.
- Changes certain ticket requirements for enhanced raffles, which came out of the legislation.
- Allows call center representatives to sell enhanced raffle tickets.
- Excludes enhanced raffles from certain activities like joint raffles, alternative format raffles, and members-only raffles.
- Adds the requirement that small non-cash prizes be available or that the licensee has funds set aside and held in reserve for purchasing those prizes.

Of the six new rules, WAC 230-03-152, WAC 230-03-232, WAC 230-03-317, and WAC 230-11-102 are based on similar existing rules. WAC 230-11-002 basically establishes the definition for a raffle, which includes both RCW 9.46.0277 for the normal raffle and Chapter 310 of the 2013 law for the enhanced raffle definition. WAC 230-11-103 is a requirement for an audit for enhanced raffles, which is a requirement from Chapter 310 of the 2013 law. There were a few minor changes made to a couple of the rules after the last Commission meeting. The Commission asked to change WAC 230-03-060 at the last Commission meeting, so staff had to incorporate that change into the rule in this packet. Staff also had to amend two of the rules because there currently is not an RCW number assigned to it so the rule had to reference the 2013 law, as opposed to the RCW. Unsold tickets were not addressed in any section, so it was added to one of the rules that the unsold tickets needed to be retained. There was a change to the proposed audit rule because the law required a report to the Legislature on any state or federal regulatory actions taken against a licensee who was conducting the raffle, so language was added requiring the licensee to report that to staff. A change was made to the rule on individuals selling the raffle tickets to clarify that only the individuals at the call centers that were actually selling the tickets needed to be licensed.

Staff recommends approving the rule package as presented in the rule summary. Because the rules are needed to operate enhanced raffles authorized in the 2013 legislative session, staff recommends an effective date of 31 days from filing. Representatives from the Special Olympics, who are actually planning to conduct one of these raffles, are present. Staff has worked with them on the rules, the recordkeeping, and pretty much all aspects of this proposal. They would like to address the Commission.

Chair Amos asked if there were any questions; there were none. He asked if anyone from the audience would like to speak.

Ms. Beth Wojick, CEO of Special Olympics Washington, explained she was representing the 1 percent of the population that were, by fate, born with intellectual disabilities. In Washington State, the organization is currently serving 10,000 athletes and would like to

serve more. In that 1percent of the population, there are 60,000 people in Washington State who have intellectual disabilities. Participants in Special Olympics range from the age of three until they cannot compete any more. It is free all along the way, so the organization has become a social life, a family, etc. Ms. Wojick said they were on a mission to work with the school districts in the next year to grow what they call unified sports, which are teams that have athletes with and without intellectual disabilities. It really does change the culture of the school. Currently, when a Special Olympics athlete shows up with his medal on Monday morning, it is not known where he came from or what he did on the weekend. If he is playing on that unified soccer team during the school day, the other kids get it, and there is inclusion and less bullying. Special Olympics plans to use the proceeds from the enhanced raffle for this project. These types of enhanced raffles are already being done throughout the United States for great organizations like Boys and Girls Club, United Way, and Ronald McDonald House. The closest one to Special Olympics is actually being handled in Vancouver, Canada. The consultant that the organization is working with is doing 27 of these types of raffles. Ms. Wojick thanked the Commission staff who have worked really closely with her over the last several months to work through these rules and regulations. She said she knew they were new, and she really appreciated the work staff has done to help the organization get to this point and she appreciated the Commission's consideration.

Chair Amos thanked Ms. Wojick and asked if there were any questions or if anyone else would like to speak; there were none.

Assistant Director Harris suggested the Commissioner making the motion just say they move to approve the rules package as presented in the rules summary. **Chair Amos** agreed that was easier than identifying all 23 rules. **Ms. Hunter** asked that the motion include an effective date of 31 days from filing.

Commissioner Prentice made a motion seconded by **Commissioner Stearns** to approve the rules package as presented in the rules summary effective 31 days from filing. *The vote was taken; the motion passed with five aye votes.*

Rule Up For Discussion and Possible Filing

Petition for Rule Change from the Public: Ashford Gaming, LLC: Allowing a new type of wager for the card game mini-baccarat

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

Assistant Director Harris reported the petitioner is not currently licensed. They are requesting that, in the game of mini-baccarat, a player be allowed to make an optional wager on either the player's or the banker's hand winning the next three consecutive games. Under current rules, the player's win or loss must be determined on a single card game. Mini-baccarat uses community cards where two shared hands are dealt to positions called the "bank" and the "player." Unlike other card games, players are not dealt their own hands, but may bet on one of those two hands. The petitioner has not yet submitted a new card game

for formal review because the game would not be authorized under the current requirements that say the player's win or loss must be determined on a single card game. Mini-baccarat was authorized in 2008 as a card game in Washington in response to a petition for rule change from the card room industry. In 2011, the Commission amended the rules to allow for a carryover jackpot, which is an optional pot that accumulates as the dealer and participating players contribute to the pot. The pot is not necessarily determined on one game and can be carried over up to ten games. In this petition, it would basically be carried over for three games.

Staff was not aware of any complaints relating to that 2012 change. Based on their experience with that change, staff does not anticipate any significant regulatory concerns with the petitioner's proposal. Staff contacted the Nevada Control Board since the game is currently authorized in Nevada and was informed that they do not really track the games after they are approved. They do not know if the game was very popular or if they have had any concerns with it. The Nevada agent staff talked to was not aware of any complaints regarding the game either. Staff recommends filing the petition for further discussion. The petitioner is present to address the Commissioners.

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

Mr. Ashford Kneitel, owner of Ashford Gaming, LLC, gave a brief summary of a side wager. Baccarat is basically flipping a coin, which anybody who works in a casino could concur. All the players are doing is deciding whether the banker hand or the player hand is going to win. There are no decisions for the players to make, so it is literally a coin flip. The players are just betting on a streak of three consecutive player hands or three consecutive banker hands. The bet pays 9:1. **Mr. Kneitel** asked if there were any questions.

Chair Amos said he was really not much on cards, and asked if a player gets a hand and then there is another player hand and a dealer's hand. Can the players still play on their own hands; do they bet? **Mr. Kneitel** replied no, the dealer will turn over four cards. Two cards consist of the players and two cards of the banker. Then they either draw a card for each side, so there will be six cards total: three on each, at most. It is mechanical. The player does not make any decisions at all. In black jack where you could hit or stand, there are decisions to be made, but baccarat is literally a coin flip. The players are only deciding whether the player hand is going to win or the banker hand is going to win. Because of this mechanical nature, most players like to keep track of streaks, so they will have score cards right on the table, or they may even have a sign that shows who won; banker or player. Because it is a streak-based game, they are just betting. This bet allows the players to bet on the streaks. Currently, there is no way for a player to do that. The players are just deciding whether they think the player is going to win the next three hands or the banker is going to win the next three hands. **Chair Amos** asked if that was the only way they could bet; player, banker, and player for the streak of three. **Mr. Kneitel** replied the players only bet one time. They place their money on either the player hand or the banker hand. If they think the player hand is going to win this bet, they put their money on the player's side, or the same with the banker. So it is either one or the other. They are betting on a streak of

three in a row, so it is a side bet, which the Commission has approved many times. Unfortunately, this game did not conform to that one rule, but the Commission has approved the carryover pot. Mr. Kneitel did not see any problems with it in Nevada and said he did not foresee any issues with it here in Washington.

Commissioner Prentice said that Nevada did not track what they do, so they could not really say there was no problem; there might be one that they do not know about. **Mr. Kneitel** agreed there could be, but the casinos would always inform gaming if there were any issues. When Nevada says they do not track the game, Mr. Kneitel thought they were referring to they do not keep track of how many casinos carry this bet. But if there was any issue with any game in Nevada, the Commission would know about that.

Commissioner Stearns asked if it was offered anywhere else. **Mr. Kneitel** replied it was just offered in Nevada.

Representative Hurst asked, without the enhanced bet, if it was a coin flip, how the house would make any money off the game. He said he has never played baccarat. **Mr. Kneitel** explained that, because whatever side that the player is betting on, whether it is the banker's side or the player's side, there is a house edge on each side. **Representative Hurst** asked for clarification on how there was a house edge. **Mr. Kneitel** replied it was a little over 1 percent for each side. The player's side has a little over 1 percent edge. The banker's side has more opportunity for the banker to win, so everybody would just bet the banker's side, so to overcome this, the casinos charge a 5 percent commission on the banker's side so the bets are fairly equal. The banker's side has a smaller house edge, but they are still fairly close to each other, so it is essentially a coin flip. **Representative Hurst** added that was in the standard game.

Commissioner Simpson asked how many players could sit at a table. **Mr. Kneitel** replied he thought it varied for most casinos – it could be 6, 7, 8, or however many could fit, just like for blackjack. **Commissioner Simpson** said if each player wanted to do this, but they pick different moments in time to do it – it seems like it was going to get very complicated for the dealer to track all this activity, these side bets, and determine that three hands have gone by here, but another player has still got another hand. He asked Mr. Kneitel to explain how that works. **Mr. Kneitel** replied he makes that really easy on the dealer. He pointed out a picture of the layout that was included in the agenda packets. The way he designed the game makes it so someone does not really have to think about it; it is very simple to keep track of the wagers. The player puts down the chip and the dealer just moves the chip closer to him each time that particular side wins. So it is real easy to keep track of. Mr. Kneitel said he has shown the game to a bunch of casino managers in Nevada. Although, this is all anecdotal, they have all concurred that it was pretty easy to keep track of and should not slow the game down. If it was to slow the game down, the casino would never put the game in play, so Mr. Kneitel would never benefit.

Director Trujillo explained that a lot of people have been exposed to baccarat in the James Bond movies. That is the game where everybody dresses up in tuxedos and they go play

baccarat. That is where a lot of people who do not normally play card games hear of or see the game baccarat. The other thing is it is called “player’s” hand or “banker’s” hand, but it could just as easily be called “A” hand or “B” hand, or left side or right side. It just happens to be called player’s or banker’s hand, which sometimes does cause some confusion because in Washington State, those have very specific meanings. But for this particular game, it is really just a label.

Chair Amos asked if the card rooms would then have to have a new table top? **Director Trujillo** affirmed. **Mr. Kneitel** added it would just be a layout that the card rooms would print and just add to their existing layout.

Chair Amos asked if there were any other questions; there were none.

Commissioner Gray made a motion seconded by **Commissioner Stearns** to file the amendment to WAC 230-15-040 for discussion and possible filing. *The vote was taken; the motion passed with three aye votes. Commissioners Prentice and Simpson voted nay.*

Assistant Director Harris clarified that there can be up to nine players on that table in Washington.

PUBLIC MEETING

Other Business/General Discussion/Comments from the Public

Chair Amos opened the meeting for other business, general discussions, or comments from the public.

Mr. Victor Mena, President of the Recreational Gaming Association (RGA), welcomed Representative Geoff Simpson, who is now Commissioner Geoff Simpson. As with Commissioner Prentice, it is difficult to not say Senator Prentice – learning all new titles. **Commissioner Prentice** said people can say that for the rest of her life. Technically it is all right. **Commissioner Simpson** added that was true for senators, but not for representatives. **Commissioner Prentice** agreed, not for representatives. **Mr. Mena** said the RGA looked forward to working with a five-member Commission moving forward. **Commissioner Simpson** thanked Mr. Mena.

Chair Amos asked if there were any other comments from the public; there were none.

Representative Gary Alexander welcomed Commissioner Simpson in his new role. He mentioned that Commissioner Amos had talked about something at the start of the meeting when he made the introduction to Commissioner Simpson. It is probably an accurate statement for the ex-officio members that they sit on the sidelines, at least in aspects to those issues that are non-tribal issues. Representative Alexander commented that this may be his last meeting. He may be able to attend the November meeting, but the likelihood is probably slim. He wanted to make a comment about the most recent decision on the ZDI lawsuit. He was pleased to see that outcome

from one perspective. Since he has been on this Commission, and it has been several years, he has supported every opportunity, either individually or collectively, that the tribes have to look at ways to expand, increase, and provide gaming opportunities to their clients in a way that is also useful to the tribe itself. He thought that was something he hoped the Commission would continue to look at. But that same amount of effort has not been applied to the non-tribal employers and casinos. Representative Alexander thought technology was something that ought to be considered strongly as the Commission looks at ways to help and assist both tribal and non-tribal operators to be able to do that more efficiently. He believed that area in terms of when he looked at it from a standpoint of the punchboard/pull-tab operations was nothing more than using technology to help become more efficient in the operations. So, as this Commission and the Ex-Officio members move forward, he would just like to make a parting comment to please look in a broad perspective of ways that the Commission can make the gaming industry operate efficiently and effectively, as well as strong regulations, which has always been its number one goal. He applauded the team the Commission has developed and the team that the gaming commission has put together and has enjoyed his time on the Commission. Representative Alexander said that please consider this as an industry that is broader than just tribal operations. He thanked the Commission for letting him have his comments.

Chair Amos thanked Representative Alexander.

Executive Session to Discuss Pending Investigations, Tribal Negotiations and Litigation

Chair Amos called for a break at 12:20 p.m. He announced that the Executive Session was expected to last approximately one hour and at the end of the executive session the public meeting would be resumed solely for the purposes of adjourning. At 12:30 p.m. the Commission went into an Executive Session to discuss pending investigations, tribal negotiations, and litigation.

Adjourn

Chair Amos adjourned the meeting at 1:25 p.m.

Minutes were submitted to the Commission for approval by:
Gail Grate, Executive Assistant