

Commission Meeting Minutes

Location of Meeting:

Vancouver Heathman Lodge
7801 NE Greenwood Drive
Vancouver, WA 98662
360-254-3100

Date and Time of Meeting

Thursday, April 10, 2014
1:00 p.m.

One-Day Only

✓ **Indicates Commissioners and Ex Officio Members Present.**

Commissioners

- ✓ Mike Amos, Chair
- ✓ Kelsey Gray, Ph.D.
- ✓ Chris Stearns

Ex Officio Members

- ✓ Senator Steve Conway
- Senator Mike Hewitt
- Representative Christopher Hurst
- ✓ Representative Bruce Chandler

Staff

- ✓ David Trujillo, Director
- ✓ Mark Harris, Assistant Director – Field Operations
- ✓ Tina Griffin, Assistant Director – Licensing Operations
- ✓ Julie Lies, Assistant Director – Tribal & Technical Gambling
- ✓ Amy Hunter, Administrator – Communications & Legal
- ✓ Callie Castillo, Assistant Attorney General
- ✓ Michelle Rancour, Executive Assistant

- PUBLIC MEETING -

Please note, agenda items may be taken out of sequence at the discretion of the Chair.

1. Director's Report

David Trujillo, Director

Commissioner Stearns gave a PowerPoint Presentation of the recent i-gaming conference he attended.

- a) Strategic Session Follow-up
 - i. This was a recap and timeline of projects/assignments from the Commissioners after their October & January Strategic Sessions. They had a series of ideas, ranging from doing educational tours to having an update on Internet gambling, including what has occurred with Delaware's, New Jersey's and Nevada's implementation of i-gaming within their borders.

- ii. There was also a memo, summarizing the 2011 Public Opinion Survey & the specific questions that were asked about Internet gambling. Commissioner Gray pointed out that the survey received very similar answers in 2006 and 2011. She said she wasn't sure the Commissioners would get difference answers if they did the survey again.

b) History of Gambling Taxes

This was a follow up report from the February 2014 meeting. The memo included how the amounts of gambling taxes received by local jurisdictions have decreased over time. It also included information on how much in gambling taxes specific cities (La Center, Lakewood, Spokane and Tukwila) have received, what percent this represented of their overall budget/operating revenue, etc.

c) News Articles

Director Trujillo drew attention to one news article in particular regarding digital currency and BitCoins.

d) Monthly Update Reports

There were no changes to the monthly update reports.

- ADMINISTRATIVE PROCEDURE ACT PROCEEDINGS -

2. New Licenses and Class III Employees

Tina Griffin, Assistant Director

The current count of the house-banked card rooms that are licensed and operating is at 53. We do not have any pending applications. Staff recommends approval of the new licenses and Class III gaming employees listed on pages 1 through 19.

Commissioner Gray made the motion to approve.

Commissioner Stearns seconded the motion.

Motion approved. 3:0.

- PUBLIC MEETING -

3. Approval of Strategic Plan

Tom Means, Administrator

Commissioner Stearns moved to approve.

Commissioner Gray seconded the motion.

Motion approved 3:0.

Commissioner Gray commented that there was an impressive amount of work put into the plan.

4. Problem Gambling Presentation - An Introduction to Issues and a Consideration of the Continuum: What is Problem Gambling and Why is it a Problem?

- Maureen Greeley, Executive Director, Evergreen Council on Problem Gambling.
- Dolores Chiechi, Executive Director of the Recreational Gaming Association and Board Vice President of the Evergreen Council on Problem Gambling.

- Cheryl Wilcox, Problem Gambling Program Manager, Department of Social and Health Services, Division of Behavioral Health and Recovery.

The Commissioners requested this presentation, as part of their Strategic Issues discussion. The Commissioners and ex officios had a variety of questions, including whether training is required for dealers on how to spot problem gambling, similar to how training is required for those who serve alcohol. The Council provided this type of training recently to some of the house-banked card rooms, but it is not “required” training. Ms. Greeley said one of the difficulties is that two people can bet the same amounts with one not having a problem at all & the other person having problems. Commissioner Stearns said with Internet gambling, it is very easy to track every aspect of the transactions/bets. Senator Conway said he thought the player cards/tracking currently being used might give some indication of whether betting was beyond entertainment.

Senator Conway also discussed 18 year olds gambling.

Ms. Greeley, Ms. Chiechi and Ms. Wilcox will likely address the Commissioners at an upcoming meeting and share information about what is occurring in other states with problem gambling.

- ADMINISTRATIVE PROCEDURE ACT PROCEEDINGS –

Rule Up For Final Action

5. Staff Proposed Rule Change

Tina Griffin, Assistant Director

Gambling equipment.

Review of gambling equipment and reporting equipment malfunctions.

- Amendatory Section: **WAC 230-06-050** Review of electronic or mechanical gambling equipment.
- New Section: **WAC 230-06-054** Notification of electronic or mechanical gambling equipment malfunctions.

The proposed changes to **WAC 230-06-050** will codify our practice of:

- Requiring the version of gambling equipment/software submitted for review to be identical or substantially similar to what is to be marketed and used in Washington State.
- Requiring all costs associated with the review of gambling equipment to be paid in full at the completion of the review.
- Including any security and surveillance requirements in our approval letter that must be met to operate the equipment.

It also clarifies that gambling equipment must be approved and the business licensed before selling or leasing may begin in Washington State.

The proposed new rule **WAC 230-06-054** will require licensees to notify us within 72 hours of identifying or becoming aware of an electronic or mechanical gambling equipment malfunction. Staff has created a form for licensees to use to report the equipment malfunctions.

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Commissioner Gray made a motion to approve for final action the proposed changes to WAC 230-06-050 to be effective July 1, 2014, and WAC 230-06-054.

Commissioner Stearns seconded the motion.

Motion approved 3:0, effective 31 days from filing, July 1, 2014.

6. Staff Proposed Rule Change

Tina Griffin, Assistant Director

Background checks on landlords.

- New Section: **WAC 230-03-061** Fingerprinting persons holding an interest in the building of house-banked card room licensees or charitable or nonprofit licensees in regulatory groups III, IV, or V.

This new rule ensures the WAC is consistent with RCW 9.46.070(7) by requiring persons holding an “interest” in a building used for a gambling activity to undergo background checks. The rule describes an interest in a building used for a gambling activity is at least 51%, or less than 51% interest in a building when there is actual or potential influence or control of the operation of a house-banked card room or a charitable or nonprofit in regulatory groups III, IV, or V.

Held over at staff’s request. There were some interpretation questions asked at study session and a little more work is needed on the rule.

7. Staff Proposed Rule Change

Holding stay hearings within 14 days, rather than seven. *Amy Hunter, Administrator*

- Amendatory Section: **WAC 230-17-170** Petition and hearing for stay of the summary suspension.

The current rule requires the agency to hold a stay hearing within seven days after we receive a request from a licensee or permittee. The proposed change increases the length of time to hold a stay hearing from seven to 14 days. The proposed change also clarifies stay hearings must be conducted as brief adjudicative proceedings as required by WAC 230-17-150.

Commissioner Gray moved to accept the proposed amendment to WAC 230-17-170 effective 31 days from filing the adopted rule.

Commissioner Stearns seconded.

Motion approved 3:0, effective 31 days from filing.

8. Staff Proposed Rule Change

Amy Hunter, Administrator

Allowing pull-tab prizes of \$20 or less to be added to cash cards used in electronic video pull-tab dispensers.

- Amendatory Section: **WAC 230-14-047** Standards for electronic video pull-tab dispensers.

This rule proposal is in response to an October 2013 Thurston County Superior Court decision, where the court directed the Commission to allow a specific electronic video pull-tab dispenser, which permits the purchase of a pull-tab at the dispenser and allows pull-tab winnings of \$20 or less to be added onto a cash card at the dispenser. This proposal was filed for discussion in November 2013.

Commissioner Gray moved to take final action on WAC 230-14-047, effective 31 days from filing the rule change, with Alternative 3.

Commissioner Stearns seconded.

Motion approved 3:0, Alternative #3, effective 31 days from filing. Alternative #3 was a combination of what staff originally proposed (Alternative #1) and what ZDI proposed at the March meeting (Alternative #2). Alternative #3 did not make all of the changes ZDI suggested.

Rules Up For Discussion and Possible Filing

9. Petition from the Public: John Lowmon, licensed distributor representative.

Requiring bingo and pull-tab manufacturers to make related products and equipment available to all distributors.

Mark Harris, Assistant Director

- New Section: **WAC 230-16-003** Bingo and pull-tab manufacturers must make related products and equipment available to all distributors.

We have received a petition from a licensed distributor representative requesting the Commission adopt a new rule to require licensed manufacturers of bingo and pull-tab products and equipment to make their products and equipment available to all distributors for the same price and terms. The new rule also sets out the following:

- In the absence of an established line of credit with terms, all bingo and pull-tab products and equipment must be made available on a cash basis; and
- Manufacturers must not dictate purchasing requirements to distributors, such as quantities and mix of products that must be purchased; and
- Any denial by a manufacturer to sell to a distributor must be detailed and provided in writing to the distributor with a copy provided to the Commission.

The Commissioners had the most discussion about this rule proposal. They filed it for further discussion.

The following testified:

John Lowmon, petitioner, Distributor Representative for Magic Distributing

Concerned about pull-tabs, not as concerned about bingo paper.

The problem is one licensee in Washington.

If there is a state ID stamp on the product, then the Commission should be involved with this.

Lowell Haugen, CEO of Gasperetti's Distributing.

His sister has owned the company since 1972. He joined the company about two years ago.

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When Gasperetti's started, they did over \$6 million in business a year. They started being "punished" in July 2012 and they have lost half of their sales since then. If Gasperetti's closes, 19 employees will lose their jobs and there will be impacts on several other businesses.

Lane Gormly, Arrow International - manages the manufacturing plant in Lynnwood
Has been involved in the business since 1983.

If distributors are going to be representing their brand, they feel they should have some say in who does so.

He does not believe that these types of business relationships are part of the Commission's business. Senator Conway said that he had a problem with that statement. He said if no stamp was needed, then it would be a normal business relationship. Senator Conway asked questions about what other states do. Senator Conway said that perhaps there could be an appeals process when someone doesn't sell, which is what car dealerships have.

Mr. Gormly responded that they don't see the harm that they have done.

Ellie Coffey, Owner of Magic Distributing

Been in the industry for 35 years. Worked for Mr. Ed's for 25 years. She's been dealing with this issue for 10 years.

She was told at one point that they stopped sales due to her credit worthiness. She went into some discussion about a bad check and some history related to that. She said she feels the Gambling Commission, Attorney General's Office, and Arrow have made this bad debt follow her even though she was not the owner of the company that issued the bad check.

Jay Gerow, ZDI Gaming

The rules were taken out because it was a regulatory nightmare for the Gambling Commission and for distributors. Thinks it has been fine without the rules. The Commission's role is to make sure that gambling is safe for the public. This rule proposal is not related to this.

Senator Conway said that he feels that the state should have a three-tier system. It is how you maintain a competitive structure. The Legislature has had great debates about this as it deals with liquor. He was very surprised when the Commission repealed the prior rules.

During the discussion, Commissioner Stearns asked several questions about how not having rules is impacting or hurting the players/consumers.

Commissioner Stearns moved to file for further discussion.

Commissioner Gray seconded.

Motion approved 3:0

10. Staff Proposed Rule Change

Tina Griffin, Assistant Director

Manufacturer's special sales permit.

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- Amendatory Section: **WAC 230-03-024** Applying for a manufacturer's special sales permit.
- New Section: **WAC 230-16-187** Accounting records for manufacturer's special sales permit holders.

The proposed change would provide clarity as to which businesses would be required to get a manufacturer's license and which would qualify for a manufacturer's special sales permit. Staff is adding language to answer questions received from applicants about this permit:

- Who can apply for this permit;
- How long the permit is good for;
- The activity allowed with this permit; and
- The rules that the permit holder must follow.

Staff is also proposing a new rule outlining recordkeeping requirements for permit holders.

Commissioner Gray moved to file for further discussion.

Commissioner Stearns seconded.

Motion approved 3:0

- PUBLIC MEETING -

11. Other Business/General Discussion/Comments from the Public

Dolores Chiechi, Recreational Gaming Association, explained that during the study session in the morning, Director Trujillo talked to the licensees and asked for their opinion. She said that this was unprecedented in the 15 years that she's been involved with gambling issues. She said that they will be racking their brains also on funding. She said if there were a fee increase, they would oppose it. She said there seemed to be a culture change occurring and it was very refreshing.

Meeting adjourned at approximately 3:45 p.m.