

**WASHINGTON STATE
GAMBLING COMMISSION MEETING
THURSDAY, JANUARY 16, 2014
APPROVED MINUTES**

- PUBLIC MEETING -

Chairman Mike Amos called the Gambling Commission meeting to order at 1:30 p.m. at the Tumwater Comfort Inn Conference Center and introduced the members present. He welcomed Senator Mike Hewitt.

MEMBERS PRESENT: **Commissioner Mike Amos**, Selah
 Commissioner Margarita Prentice, Renton
 Commissioner Chris Stearns, Auburn
 Commissioner Geoff Simpson, Issaquah
 Commissioner Kelsey Gray, Spokane
 Senator Steve Conway, Tacoma
 Senator Mike Hewitt, Walla Walla

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, Acting Executive Assistant

Director David Trujillo thanked Chair Amos and proceeded to the first item on the agenda which was a request for Compact amendment by the Lummi Nation Indian Tribe.

Lummi Nation Compact Amendment

He stated it had been awhile since a Compact amendment matter has come before the Commissioners. Director Trujillo briefly explained the process, and touched briefly on the Compact amendment itself. In 1973 our legislature authorized gambling activities. And then in 1988, the Federal Indian Gaming Regulatory Act was established. And that Act, in and of itself said, a State and Tribe may negotiate in good faith for gambling activities that are offered in that State for any purpose to any person, organization or entity. Three years later in 1991, the first Compact was signed. And then one year later, in 1992, the first tribal gaming operation that was operated under State and Tribal Compact was opened. In 1995, the current Lummi Nation Compact was signed. That Compact was again modified once in the year 2000 and had a second

modification in 2007. The third modification to that Compact is what is before Commissioners today. So since 1995 the Compact has been amended twice.

In 1992, the process for Compact negotiations was codified into RCW or law, which is RCW 9.46.360, and in that process it sets forth a way for public hearing to occur. That particular law says that once the negotiators have reached tentative agreement, that agreement would be transmitted to the Commission for one purpose and to the Legislature for another purpose. So within 30 days of that tentative agreement being reached, one standing committee in each of the Senate and the House will hold a public hearing. Staff was part of a public hearing in the House on Monday, and has a second public hearing in the Senate on Friday. Today staff is here for a public meeting for the Commission.

Director Trujillo said he would be asking Commissioners today to take a vote, which he would explain a little bit further in a moment. He asked if the Commissioners had any question, hearing none he moved to explain the Compact amendment. In this case he said, the Lummi Nation is simply asking for a modification to the definition of a gaming facility. The current definition reads gaming facility means the building in which Class III activities, as authorized under this Compact, are conducted on Lummi Nation lands. The proposed language would be the building "or portions thereof", so it is adding three words to the definition. The building or portions thereof in which Class III activities is authorized under this Compact are conducted on Lummi Nation lands.

Director Trujillo explained the importance of the changes and the different reasons. One is it clearly separates the gaming facility from the other tribal enterprises that have grown up over time and have become part of the building itself. For example, he believed that they talk about a spa, an events center, and a hotel. With the current wording, "the building" really means that gaming controls could fall over all of that, which really was not the intent. Gaming regulations were not meant to oversee an event center, or the spa, or the hotel.

The other aspect that this change would address would be that it really keeps gaming in the gaming area that was meant to be which is the gaming floor. Theoretically without this, gaming could be introduced into the spa or the other areas, but that has never been the intent and they have not expressed any desire to do so.

The change would clarify the existing language. It mirrors language in other later Compacts. This language is not breaking any new ground or creating any policy issues. It is what has been currently allowed in other Compacts.

Director Trujillo said he would be asking Commissioners to do one of two things. One was to vote on whether to refer the negotiations back to him with instructions, which comes straight out of the law. The other option was to vote to forward the language to the Governor for execution. There are two members of the Lummi Nation present. David Zerby is the staff attorney, and Travis Brockie from the Gaming Commission and a policy advisor. In asking the Commissioners to take the vote today respects the time that the Ex-Officio member are here.

But also please know that if there were any comments from tomorrow's hearing, he would be bringing those back to the Commissioners. He did not anticipate there would be too many comments from the Legislature.

Senator Hewitt stated he had a question if Chair Amos did not mind.

Chair Amos replied go ahead. **Senator Hewitt** thanked Chair Amos, and said because he did not know the procedure; he asked if the Governor was the one that signs all the Compacts. **Director Trujillo** affirmed. **Senator Hewitt** replied he thought the Governor actually did the negotiation with the Compacts. He did not remember the Legislature ever having to approve these before. He asked if this was just because of a law change in the way that the tribes operate because of the separation of the building. **Director Trujillo** replied no, not necessarily, the way that the law is written is that the Governor has delegated the negotiation power to the Director of the Agency. **Senator Hewitt** replied that he understood. **Director Trujillo** said that prior to himself, Director Day and his predecessors, then once the Commission had that tentative agreement, then staff would create the process for the public hearings to occur, and then the Commission would vote on whether to forward it to the Governor for signing and execution. And then the Ex-Officio's would have a role to vote in the process. **Senator Hewitt** replied that his question was why does the House and the Senate have to hear the proposal if the Ex-Officio's were not involved in the process. **Director Trujillo** stated it was in the law. **Senator Hewitt** affirmed.

Director Trujillo turned the question over to Administrator Amy Hunter for further explanation.

Amy Hunter, Administrator stated she was not working on this when it was passed, but she thought part of the reason it was set up that way was to make sure that the Legislature was informed. When the law was being drafted requiring that those standing committees hold the hearing was a way to keep the Legislature aware of the process. **Senator Hewitt** replied okay. **Ms. Hunter** commented that in some states it is the full Legislature that votes on the Compacts.

Senator Hewitt thanked Ms. Hunter.

Senator Steve Conway explained he wanted to point out Legislature has had many, many hearings in Commerce and Labor on the Compacts. It is a public hearing, and all the Ex-Officio's do is be informed of what was going on in the matter, and on occasion, they do seek our input if it is a significant Compact change.

Senator Hewitt thanked Senator Conway for his explanation.

Senator Conway asked if it was just a floor vote.

Senator Hewitt was surprised there was no floor vote.

Senator Conway confirmed there was no vote.

Ms. Hunter affirmed that yes, there was no vote.

Senator Hewitt said he did not recall ever having one, and that was what had confused him.

Ms. Hunter reaffirmed.

Director Trujillo apologized that he may have confused Senator Hewitt by talking about the Ex-Officio's voting role here, which they do have, but the committee hearings are really the public portion of that.

Senator Hewitt replied thank you.

Director Trujillo addressed Chairman Amos and asked if the Commissioners would like to meet the Tribal representatives that were present.

Chair Amos responded yes.

Director Trujillo asked them to come forward and if they would be so kind as to state their name for the record and their title as well.

Mr. Travis Brockie stated his name, Travis Brockie for the Lummi Nation, and his title of Gaming Commissioner and policy advisor for the Chairman, Tim Ballew.

Mr. Dave Zerby stated his name and title of staff attorney for the Lummi Nation.

Chair Amos welcomed the tribal members from Lummi Nation.

Mr. Zerby responded they appreciated the Commissioners hearing their agenda item today, and appreciated the time that Commissioners spent working on gaming in general, especially for the benefit of the Indian Tribes in Washington State.

Chair Amos thanked them for coming, and asked if there was a motion.

Commissioner Chris Stearns made a motion to move forward to the Governor for further consideration and to execute the amendment.

Commissioner Kelsey Gray seconded the motion.

Commissioner Stearns made a motion seconded by Commissioner Gray to move forward to the Governor the Amendment of the Lummi Nation Tribal State Compact. The vote was taken; the motion passed with seven aye votes.

Agenda Review/Director's Report

Director Trujillo commented there were no changes to the agenda. Senator Conway left the meeting at 1:47p.m. He then drew attention to a letter from Speaker of the House Frank Chopp appointing Representative Bruce Chandler as an ex-officio to the Commission. In addition to that you will see a Tribal request to amend the Compact from the Swinomish Tribe. Director Trujillo said he would characterize that as being similar to the Lummi Nation Compact amendment and considered a housekeeping amendment change. The Swinomish change would be adding a few words, or modifying the language in one section slightly and there would be more detail when the notification process begins. In the future there will also be a couple of Compacts coming before the Commissioners that will be more than a housekeeping change.

Director Trujillo pointed out there were several news articles that may be of interest and one them that he would like to draw Commissioner's attention to was written by Commissioner Chris Stearns. The article is about John F. Kennedy's contributions to human rights, and specifically his contribution to Indian country. He asked Commissioner Stearns if he wanted to share any information that he would like about the article or why he chose to write it.

Commissioner Stearns thanked Director Trujillo for including the article. He said he was surprised, but appreciated it and was grateful. The reason he wrote about John Kennedy was because he used to work in the House of Representatives in Congress and the Natural Resources Committee. When he was there he was asked by Patrick Kennedy to do some research on his uncle's work in Indian country. Commissioner Stearns actually became one of the historian's on the Kennedy's work in Indian country and has had a chance to write about Ted Kennedy, Robert F. Kennedy, and now John F. Kennedy.

He really wanted people to get a sense of what he had done in the 1960 campaign which changed a lot of things. In particular, he actually reached out to Indian organizations and asked what they thought should be in his platform. And then also some of the work that he did, which led to Lyndon B. Johnson asking Congress in 1968 to change the U.S. policy and begin the whole self-determination process.

Director Trujillo thanked Commissioner Stearns and replied it was very informative. The next two articles are also very important, but are of a more personal nature. These have to do with Dolores Chiechi. For those of the audience who don't know, Dolores Chiechi is the Executive Director of the Recreational Gaming Association. She was on vacation very recently, and four days into that vacation received a telephone call that her fiancé lost his business and livelihood in a fire that was the work on an arsonist. On behalf of the agency staff and tell Dolores that staff are sympathetic and empathic to what she was going through, and are very sorry for her loss. The articles are very interesting, but it is really too bad what happened.

In another article President Barack Obama recently met with 12 Tribal leaders to discuss job creation and economic development in Tribal communities. One of the Tribal representatives was Chair Leonard Forsman, Chairman of the Suquamish Tribe.

Another article is about Oklahoma Tribes suing the federal government after the federal government blocked their internet gaming website. It's interesting that in that particular state, the Tribes and the State entered into a Compact to allow that for patrons beyond the boundaries of the United States. Despite that Compact, the federal government did step in and now there is litigation.

There's a lot going on around the country. The next article is about the State of Colorado watching their neighbor Nevada. You will recall Nevada is one of the three states that have enacted some form of State internet gaming. Nevada, New Jersey and Delaware all have intranet poker. This article illustrates how other states are watching what is happening beyond their own borders. In this case they are watching revenue that is spent by Colorado citizens going to the State of Nevada. Gaming is no longer in a brick-and-mortar industry as the internet continues to advance and these interstate issues become more and more apparent.

Senator Hewitt, my heart goes out to you to figure out how to eventually determine what to do within our own State.

Another article deals with the State of Minnesota. They cite the recovery of the economy as the main reason for charitable gaming increases. The article says, pull-tabs and charitable gaming have increased by 8.6% in Minnesota.

Director Trujillo asked if there were any questions about any of the news articles, there were none.

Monthly Update Reports

Director Trujillo briefly discussed the monthly reports, and asked if there were any questions, there were none.

Legislative Update

Ms. Hunter reported that the legislative session started on Monday and was expected to be a 60-day session. There were about 75 to maybe 100 Bills that were pre-filed. None of the Bills directly related to gambling. There were two companion Bills related to training for public officials on the Open Public Meetings Act and public records which would include the Commissioners. This may sound familiar to you because similar Bills have been introduced in the past. So there would be internet-based training set up so that everyone is aware of those requirements. Commissioners would have to take that training when they are first appointed, and then take it every four years. So for the average Commissioner appointee, the training would take place twice if the Bill is passed.

House Bill 1295

There are some Bills that were carried over from the 2013 session that are listed on page 2. At this point Ms. Hunter did not expect that these Bills were going to move. House Bill 1295 deals with the powers and duties of the Gambling Commission. This is the Bill that Commissioners took a neutral position on during session. Ms. Hunter briefed Commissioners at

the May 2013 meeting, and at that point they took a position against the Bill. As staff was meeting with members of Legislature during the interim, they let them know about the Commission's position against the Bill. Ms. Hunter was not expecting that the Bill would be scheduled for any other type of action.

House Bill 1824

House Bill 1824 reduces the penalty for people engaged in internet gambling in their home or primary residence for recreational purposes. Both this Bill and House Bill 1295 did have hearings last year, but neither of them made it out of committee. Ms. Hunter was not expecting any more movement on this Bill.

Senate Bill 5552

Senate Bill 5552 is a gambling intercept program. They have a program like this right now for the State Lottery. If someone happens to owe back child support and wins while gambling, the back child support would then be paid. Ms. Hunter was not expecting this Bill to move either, based on the current information. Staff is continuing to track these three Bills just to see if anything changes. Commissioners do not need to do anything on these Bills. Staff assumes your position against HB 1295 is unchanged and that you are neutral on the other two Bills.

House Bill 2283

House Bill 2283 is a new bill. There is not a companion Senate Bill for this one. IGT, a manufacturer that makes many of the Tribal Lottery System games in this State, approached staff about this a couple of months ago. This is a question that staff has also received before dealing with gambling devices. IGT is interested in knowing if there is a way to do research and development on devices. Staff has had questions in the past from people along the Washington/Idaho border where a company that is located in Spokane wanted to work on things that would be considered gambling devices in this State, but they wanted to ship them to a different state, or maybe they just have some repair work to do.

When those questions have come up, staff has looked at it with the assistance of our Assistant Attorney General, and the conclusion has been that really that is not allowed under the Gambling Statutes. There would have to be an exception to do that, and this would be considered an exception. As this Bill is worded, it would only apply to licensed or certified manufacturers of Class III Tribal Lottery Systems. So this would apply to IGT and the same kind of companies.

Senator Hewitt stated that as of yesterday when he met with them, legislators were not going to pursue the Bill this year. He thought the Bill would be held over until next year.

Ms. Hunter thanked Senator Hewitt for the update and confirmation. She thought if the Commissioners were to take a position, at this point staff would recommend a neutral position, so we are able to have the discussion in case Commissioners had questions on it. There are several requirements that have been included. IGT did show staff the draft, and staff gave some additional input on it.

Agency Legislation

Ms. Hunter explained the agency has requested authorization for a fee increase. The fee increase was included in the Governor's budget, which was released the middle of December. There are now official Bills to go with that. Those Bills were heard earlier this week, both the House version of the Governor's budget Bill and then the Senate version. Staff is continuing to watch that and see what happens with the budget as it goes through the process.

Legislative Process

Ms. Hunter briefly explained the legislative process, because the Commission has a group of different Commissioners. Staff would propose the continuation to follow that process for the 2014 session.

Commissioner Stearns asked if Ms. Hunter could send the Commissioners a list of the hearings and when they are, where they are, who was holding them, so they could attend.

Ms. Hunter replied she would be happy to send out a list to the Commissioners. She asked the Commissioners what their interest was in Bills like the training one she had mentioned that would be required under the Open Public Meetings Act. Would they find it helpful to know about that, or if Commissioners would be satisfied to just know at the end if that passes and was going to be a new requirement. **Commissioner Gray** responded it would be nice to know what was coming.

Ms. Hunter said she would continue to include them then, and be brief in the comments, knowing that Commissioners would have seen that and had an opportunity to be involved. She also wanted to let Commissioners know that yesterday the Senate Commerce and Labor Committee did devote their full two hour time to a gambling work session. Director Trujillo and Ms. Hunter gave a PowerPoint presentation with an update on the Commission's role. It has been four years since staff was before the Committee giving our Gambling 101 presentation. The PowerPoint was not included in the Commissioners packets, but she would be happy to e-mail that out if Commissioners wanted to know what information had been shared about the Commission.

Also included at the work session was Ernie Stebbins from WIGA, the Washington Indian Gaming Association, who also presented; from the Recreational Gaming Association, Dolores Chiechi; Dave Fretz and Dawn Mangano were there. From the charitable organizations, Ric Newgard and Clyde Bock were there. Then Maureen Greeley from the Evergreen Council on Problem Gambling was there. The Council will be back in March during Problem Gambling Awareness month to give Commissioners an update on some things occurring. Representatives from the State Lottery Commission and the Washington Horse Racing Commission were also in attendance. There was a good overview of a lot of different things. Ms. Hunter said she has most of the PowerPoints, and if Commissioners have any interest in seeing those staff can present them in the future.

The last item staff will be working on are the confirmation hearings for Commissioner Stearns and for Commissioner Simpson. Those would be before the Senate Commerce and Labor Committee, which is chaired by Senator Holmquist Newbry. Normally staff does not get a whole lot of notice on those. One bit of good news though is that the confirmation hearings do not follow the normal cutoff dates, so they can be held any time during the session when the Committee is meeting.

Commissioner Stearns asked if he had to attend.

Ms. Hunter replied they do like it if you do attend. They are pretty good about working around your commitments, so I would ask that if you have a time when you know you're going to be out of State or unavailable if you will let me know that so I can be watching for that.

Senator Hewitt stated he would like to answer Commissioner Stearns question. The Senators do like to have you there for confirmation. Some of the members like to ask some questions, and you will definitely get points. If you are not there, you will lose points. There are some senators that will not vote in the affirmative if the conferee is not there for a hearing.

Ms. Hunter thanked Senator Hewitt for his comments, and asked if there were any questions.

Chair Amos asked if there were any other questions or comments, hearing none he moved to the next item on the agenda.

Electronic Gambling Lab Report *(PowerPoint Presentation)*

Mr. Paul Dasaro, Administrator of the Electronic Gambling Lab (EGL) explained the presentation today was a continuation of the one given in November where Tribal Lottery Systems were discussed. He would give a summary of that presentation, and go into a little more detail about the various roles and responsibilities of the EGL, and talk about how EGL fits into the agency's processes for evaluating and approving both Tribal and non-Tribal gambling equipment, then discuss some of the successes and challenges that staff has had in doing that, and also take this opportunity to talk about the gaming industry conference, Global Gaming Expo, which agency staff attended last September focusing on current trends in gambling technology and staff activities at the Conference.

At the November Commission meeting, staffs presentation covered the basic structure of the Tribal Lottery Systems. Tribal Lottery Systems are electronic models of scratch lottery tickets. They consist of computers for creating and storing game outcomes, which staff refers to as electronic scratch tickets; player terminals on the casino floor where players interact with the game; and a cashless accounting system for converting cash into game play credits. Unlike slot machines which use an internal random number generator, Tribal Lottery System players compete with one another for the winning outcomes. Tribal Lottery Systems structure, regulation, testing and approval was established by Appendix X2 to the Tribal/State Compacts.

The Lab has implemented a variety of changes in how The Commission does business with the goal of improving the effectiveness, efficiency and speed with which staff approve Tribal Lottery System equipment.

Electronic gambling is becoming more and more complex every year. Technology, arguably, is the most important factor driving revenue in the casino gambling industry today. And certainly that is the case in Washington where Tribal Lottery Systems earn billions of dollars in annual revenue. Today's casinos have multi-layered and highly complex server-based computer networks as opposed to the one arm bandits that we are used to from not too long ago. This creates significant challenges for gaming regulators. It is very difficult to effectively regulate and monitor a complex technology unless the technical staff on board understand it at a highly detailed level. And that is the Lab's involvement with electronic gaming regulation. Staff does much more than just testing. Our main goal in everything staff does is to support the gaming regulators and the regulatory process. EGL staff is the State's technical experts on this constantly changing and highly complex environment.

Staff's roles include overseeing the compliance certifications provided by the independent test labs; performing compliance testing ourselves on all forms of electronic gambling technology, working with gaming enforcement staff to develop and implement inspections of live gaming equipment, and to occasionally perform those inspections ourselves when needed. EGL staff helps the enforcement staff in developing internal control recommendations. And when compliance related problems do occur in the field in the casinos, staff can provide technical investigation support to help determine the cause and identify potential fixes. Staff can also follow-up with manufacturers to ensure that those fixes get implemented statewide.

As manufacturers develop new products for Washington, staff advises them on our State's unique compliance requirements. This process helps reduce the frequency of non-compliance findings and it speeds the time to approval. Staff establishes and maintains standards for system security. Staff also provides technical training to Tribal and State regulators, and provide technical advice to agency leadership for decision making and negotiations.

Mr. Dasaro pointed to a diagram showing the process for approving Tribal Lottery Systems which was outlined in November. An authorized independent testing lab first certifies that the equipment complies with the technical standards of Appendix X2. Currently there are three approved independent test labs authorized to provide this testing. The independent labs provide their certification documents to the manufacturer which then submits their equipment to us. X2 mandates that the State gaming agency must approve or disapprove the TLS equipment. It allows the Commission to perform testing if staff deems it necessary.

A somewhat unique requirement of X2 is that it establishes time limits on staff for issuing approval. Those time limits are 15 calendar days for modifications of existing equipment. Seventy percent of the submissions that staff work on are in this category. A significant percentage of those are not substantively tested by our agency, including the majority of all game submissions. For new systems or features, that limit is sixty (60) days. Around thirty percent of

the Tribal Lottery Systems received meet those criteria of a new system. If staff takes no action before the expiration of those time limits, the equipment is deemed approved, according to the Appendix and may be installed by the casinos. Because of this unique automatic approval requirement, those time limits drive many of our procedures and place significant pressure on us to complete our work as quickly and as efficiently as possible.

Many factors can affect the speed with which equipment submissions are completed. The most common issue staff deals with is technical problems with the equipment or submission documentation which delay the review. Over forty percent of all Tribal Lottery Systems received have some type of technical problem which can delay the approval process. Twenty percent of all TLS submissions have problems which cannot be resolved quickly and require staff to issue a warning to the manufacturer. This is the required action notice process where staff gives the manufacturer two business days to address the problem or the submission must be disapproved. This process has helped staff significantly improve the average time it takes to approve equipment in general through the Lab. The most common types of technical problems staff encounters include incomplete or missing documentation in testing equipment, delays in getting equipment to staff to be reviewed, just general reliability of the systems in the Lab, and slow response to questions that might come up during the review process.

From time-to-time staff does find non-compliance in submissions that have already been certified by the independent test labs. The most common issues staff finds which cause disapproval for non-compliance include the operation or structure of the submitted system does not meet the X2 requirements; sensitive data is not sufficiently protected from hacking or other types of network intrusion; required reports might be missing key data or returning inaccurate data; and games which do not sufficiently disclose their rules to players.

Mr. Dasaro indicated this graph shows the percentage of new Tribal Lottery System components which staff has found to be non-compliant with X2 starting in 2010. This includes all new components and features, and can be anything from bill acceptors to an entirely brand new complete system. On average, currently around 7.5 percent of all Tribal Lottery Systems which meet the sixty (60) day definition were found to be out of compliance by our agency. This actually represents an improvement from past years where over 10 percent of submissions were found to be non-compliant. The independent labs are definitely getting better at finding non-compliance, but there is still some work to go. Staff is working with them on improving communication and oversight to ensure that this trend continues.

It should be noted that the more complex the submission, the greater the likelihood of a non-compliance finding by staff. For example when a completely new Tribal Lottery System from a new manufacturer is submitting, there is roughly a ninety percent chance that that system will be found by staff to have at least one, and often more, non-compliant features or functions which have to be fixed before the system can be approved and installed in the facilities out in the field.

The next slide is a brief summary of the average amount of time that EGL takes to process a TLS submission from the time received to the independent lab certification. These averages are

comparable to most private and public test labs. From January 2010 the average processing time for all 15-day submissions is 8 1/2 calendar days. For 60-day submissions it was roughly 35 calendar days.

Another of the Lab's functions was to work closely with the agency's Gambling Equipment Team as part of the approval process for all other types of gambling equipment. Components such as electronic table games, card shufflers, pull-tab readers and bingo dauber systems come under this process. The Gambling Equipment Team is made up of representatives from Licensing, Field Operations, the Tribal Gaming Unit, and the Lab. The Team's primary purpose is to review gambling equipment submissions and to recommend approval or disapproval to agency leadership. Generally manufacturers submit products to the Team which often decide to request our Lab to test it. The Team establishes the parameters and the scope of the Lab's review.

The testing for this equipment follows the parameters that the GET Team provides us. For example, the Team may ask staff to determine if the component has stand alone capability which could make it a gambling device and thus illegal under State Statute. Or the Team might want staff to evaluate the networking capability of the device and identify the risks associated with it. Generally staff is focused on ensuring that the product is compliant with applicable laws, rules and Compact language. And staff also evaluates the product for security weaknesses and risks which could negatively affect patrons or operators. As with Tribal Lottery Systems, EGL's review process is focused on enhancing and improving the regulatory process by ensuring that staff's technical knowledge helps the agency develop inspections and internal controls and training that is necessary to regulate it. Once staff are completed with testing a report is provided to the Gambling Equipment Team summarizing the findings. This report is one of the elements that the Team uses in determining whether the product is ultimately recommended for approval or disapproval.

Mr. Dasaro reported next on the Global Gaming Expo, commonly known as G2E, an event that is held annually in Las Vegas. It is the world's largest gaming industry trade show and conference. It provides training sessions on many subjects relating to the gaming industry. It is an opportunity for staff to meet with licensees to discuss current and future gambling equipment submissions, and also to meet with new gambling equipment companies that are looking at entering the Washington State market to provide them information about how to go about doing that. It also allows staff to meet with gaming regulators from other jurisdictions to share information on common issues that might arise.

Four agency staff attended G2E 2013 conference; two from the Lab, one from the Tribal Gaming Unit, and one from our Criminal Intelligence Unit. The Lab and TGU staff participated in thirteen meetings with licensees, tribal regulators, independent labs, and technical regulators from other State's during the conference. Staff discussed current Lab submissions, new products coming in over the next year, and received demonstrations of some of those products.

The Nevada Gaming Control Board also hosted a technical regulators roundtable discussion with attendees from over a dozen states, Tribes, and even a few foreign countries. Items discussed

included the expanded use of independent lab testing in many of those jurisdictions; implementation of internet gaming in certain states such as Nevada and New Jersey; and common technical problems seen in slot machine products and other gambling technology.

One staff member did attend the conference training specifically focused on internet gaming. Some of those discussions included state-by-state regulation, lotteries and internet gaming, Tribal internet gaming, and how to regulate or whether to regulate social gaming websites.

As in previous years, internet gambling was a big topic of the conference at that time, which was in September. Nevada and Delaware have been the first states to offer internet gambling within their borders. Since the conference, New Jersey has also started offering internet gambling. Although the launch of internet gambling in these states did not always go completely without a hitch, generally the activity has been successful. And by all indications it appears to be well regulated by their respective gambling agencies. Nevada in particular spent a lot of time making sure that their regulations were quite strong and that the internet gambling vendor's products were thoroughly tested prior to going live.

Since internet gambling is currently illegal in Washington, staff is particularly interested in learning how these states could ensure that the activity would only be accessible from inside their borders. Based on discussions with those regulators, staff learned that they utilize technologies which verify the location of the players using a variety of factors, and it appears to work quite well thus far. There are still concerns within the industry and without; about issues such as underage gaming, money laundering and fraud, and problem gaming that those jurisdictions will have to continue to deal with as they move forward.

As far as casino gambling technology, there are several trends which have been around for awhile but have so far not seen much of an entry into Washington State. Based on staff's discussions with various manufacturers, staff may be seeing some of these technologies in the near future. Several manufacturers' demonstrated skill based machine games. These games are where there is some element of game play that involves skill, not just random chance. Some of these games play just like a video arcade game, for example using a joy stick on a machine to shoot alien spaceships. Often the skill element is part of a bonus screen, but does not have any direct impact on whether the player wins money or not. In those cases it is primarily intended for entertainment purposes. However several manufacturers did observe that in the future, there may be a component of skill incorporated as an element in determining what the player receives in winnings. These games are intended to appeal to younger players who tend to be less interested in your typical real live slot machine type games.

Staff witnessed various types of table game technology. Manufacturers have created products which range from a completely physical game currently seen on a casino floor that may have one electronic element related to player tracking, or something along those lines. Or all the way up to completely automated systems which did not involve any casino employees or any physical aspects whatsoever. For example staff saw electronic table game wagering systems such as the one pictured here where there was a live dealer and a physical method for determining win or

loss, such as a roulette wheel. But the players make bets and receive winnings through an electronic interface. Staff also saw dice games such as craps where the physical dice were sealed in an enclosed glass container and thrown by a mechanical device hidden inside. Players would make bets on automated terminals which they sat in front of, and they would insert cash to get game play credits. So the game involved physical dice, but no dealers and no physical money during the actual game play. Many manufacturers have created completely electronic table games, like a version of Blackjack where players face a large LCD screen which displays a video image of a dealer but not a real dealer. Cards and wagers are electronic and are viewed on automated terminals that are in front of the players. And finally slot machine manufacturers have created a variety of bonuses given to players to encourage and reward play. A common example of this was where players can exchange their player tracking points directly into playable credits on the machine. Bonus hand technology can be somewhat of a challenge for regulators and policy makers because some of them operate very close to the line of gambling activity. And the technology which facilitates the bonus hand can be directly incorporated into the computer systems which run the games.

Commissioner Stearns asked who the three independent labs were.

Mr. Dasaro replied the three independent labs are Gaming Labs International, GLI; BMM and Eclipse Compliance Testing.

Commissioner Stearns asked if they were all located in Las Vegas.

Mr. Dasaro responded that GLI is headquartered in New Jersey, but they have a huge testing facility in Las Vegas. BMM is headquartered in Australia, but they also have a very large Las Vegas testing facility. Eclipse Compliance is based out of Ohio, and I don't believe they have any testing ability in Nevada. They focus mainly on Class II, but they also do some testing for the agency as well.

Commissioner Geoff Simpson replied he was curious on the enclosed dice game, how do they ensure that there is a random number generated, and he thought the randomization was with the person's hand. But if it was the same throw every time there would not be as much randomness.

Mr. Dasaro agreed that was something he was also interested in asking. The way it works is the dice are over-sized. They are about half a foot per side. And what happens is the floor, which is the part that actually throws the dice, randomly vibrates up and down. And that is where the randomization piece occurs. And then at a random time, either one second or two seconds, or whatever the time is, the base will pop up and cause the dice to throw and then they will land, and that is where the randomization comes into play in determining when to actually throw those dice up.

Commissioner Gray asked if the gaming conference that Mr. Dasaro referred to was held every year.

Mr. Dasaro replied yes, it is. It is every year in Las Vegas.

Commissioner Gray asked if staff would be going again this year.

Mr. Dasaro replied it was going to be up to my agency leadership, but staff has attended for most of the last five or six years. It just depends on the availability of funds and travel restrictions and things of that nature. It is a really good opportunity for staff. The training is always good, but really the best thing about that conference is the opportunity to meet with stakeholders. Staff receives a lot of information from the manufacturers about what types of submissions to expect over the coming year, and also especially the interaction with the other regulators from other states because a lot of times they are dealing with issues that are very similar to ours and they can provide information about solutions that they have come up with.

Commissioner Simpson asked if staff felt like the protections that are in place for keeping internet gaming within the state were sufficient, because he knows people can spoof a different address. It seems like that would be the place where there is a likelihood that it would not work that well.

Mr. Dasaro responded it was something that staff is really concerned about, especially several years ago when they first started talking about it because staff already knew about those risks. That was one of those things that staff in the EGL focus on; computer security and issues of that nature. Staff already knew about those risks of potentially spoofing your IP address, or spoofing the location of the computer. But from what he understood, Nevada has implemented a lot of different controls that verify the location of that person. Not just the actual computer, but from what he understood they also require the use of a mobile device that has GPS enabled on it. That device has to call in and verify its location before that player can be authorized to get on to the system and actually play, and there are multiple different steps.

Various states have contracted with companies that specialize in geo-location. That is the technical term for verifying the location of a computer. And that is all they do is geo-location work. The techniques that they use are multi-faceted and they are pretty robust. There is always going to be that possibility that a hacker out there is going to figure out how to fake it. And that is something that staff is keeping an eye on. Generally speaking, at least from what he understood right now, in order for them to do that, it would require a significant amount of hacking ability in order to do something like that. And he was not aware of anyone actually successfully doing it.

Commissioner Gray asked if there were any discussions out there with multiple states coming together to offer anything.

Mr. Dasaro replied there has been quite a bit of discussion about the concept of interstate Compacts where, for example, Nevada would compact with New Jersey to create an agreement where residents of Nevada could gamble on New Jersey sites. And that is certainly something

that has been under discussion, but to his knowledge, they have not actually completed anything like that yet.

Commissioner Stearns asked if there were different testing requirements for internet gaming.

Mr. Dasaro responded that each state was different. He did know that Nevada spent a significant amount of time performing testing. All these states have independent lab certification processes as well, and he knows that Nevada's state agency personnel were deeply involved in the reviews of these systems before they went live, and there was very in-depth testing. In fact that was one of the reasons why it took so long for Nevada to go live, because they were going through their testing, they had their regulations which were very strict, and if the manufacturers were not meeting those regulations, they had to make changes to Nevada's satisfaction.

Commissioner Simpson commented that he knew staff's focus was on the technical aspect, but it would be interesting to know what Nevada was doing with regard to tracking the effect of internet gaming on the brick and mortar operations within their state; if they are seeing significant decreases of brick and mortar operations as internet gaming.

Director Trujillo commended Commissioner Simpson on his good question. He responded he thought that Nevada was very early into the process with various economies recovering or not. But it is something that the statistics will be there very soon. And to comment back on your spoofing comment, that is one thing that the agency's own internal Cyber Crimes and Internet Investigations group is looking at very closely; the ability to get around the security that Mr. Dasaro just pointed out. When reviewing the trade industry and the trade magazines, the vendors who market these are very certain that they have got the latest and greatest invention out there that will determine the location exclusively. They may have, but they may not, and it will be one of those time will tell things. Director Trujillo suspected that next year, or even later this year, staff will be having a greater in-depth discussion about it because the statistics will be out there nationwide.

Commissioner Stearns asked if staff could give some really brief updates on Atlantic City and Nevada at the next meeting. **Director Trujillo** replied yes, staff will bring whatever can be found on how the impacts are manifesting themselves in New Jersey, Nevada, and Delaware.

Chair Amos asked if there were any questions, hearing none he moved to the approval of the minutes.

Approval of Minutes - October 9 and November 14, 2013 Regular Commission Meetings

Chair Amos asked if there were any questions or comments on the minutes. Ms. Amy Hunter pointed out an incorrect date in the November minutes and asked for a correction to be approved.

Commissioner Gray made a motion seconded by **Commissioner Simpson** to approve the minutes from the October 9, 2013, Commission meeting. *The vote was taken; the motion passed with five aye votes.* **Commissioner Simpson** made a motion seconded by **Commissioner**

Stearns to approve the minutes from the November 14, 2013, Commission meeting, with one correction. The vote was taken; the motion passed with five aye votes.

- ADMINISTRATIVE PROCEDURE ACT PROCEEDINGS -

New Licenses and Class III Employees

Assistant Director Tina Griffin explained that in mid-December of 2013 Chaplin and Friends, a house-banked card room, stopped operating. They were out of Spokane. They had 51 house-banked card room employees. Staff has since received a new application for a new entity to open up in that location. The Commission currently has 52 licensed and operating house-banked card rooms. Included in the list of new licenses and Class III gaming employees are two new manufacturers. Those respective reports are behind the house-banked card room list.

Pollard Games, doing business as American Games, are out of Council Bluffs, Iowa. They manufacture pull-tabs, bingo paper, and pull-tab vending machines. American Games was licensed as a manufacturer with us from July of 1996 until May of 2000 when they let their license lapse for business reasons. They are currently licensed in 25 states, and by Saskatchewan and Ontario. Staff completed an on-site investigation that involved reviewing their manufacturing process, verifying that the substantial interest holders were identified and qualified, and also completed a financial investigation of the company. They were licensed on November 22nd as a Class C manufacturer.

The second manufacturer report that is in your packet is for Shuffle Entertainment, doing business as Shuffle. Shuffle was licensed by us since 1996 as a manufacturer. Bally Gaming recently purchased all of the stock, which triggered a licensing event for Shuffle to get relicensed by us. Shuffle is now a wholly owned subsidiary of Bally, a licensed manufacturer and distributor of ours since 1999. Staff completed the source of funds investigation on the buy-out and verified that all substantial interest holders were identified and qualified. Shuffle Entertainment was issued a Class F manufacturer's license on December of 2013. AD Griffin asked if there were any questions.

Commissioner Stearns asked if they were also a distributor.

Assistant Director Griffin replied that Shuffle was a manufacturer and distributor. Bally's is also manufacturer and distributor, and licensee's only need to have a distributor's license if they distribute another manufacturer's equipment.

Commissioner Stearns asked what they do in terms of distributing.

Assistant Director Griffin replied that it meant if Shuffle wants to distribute another manufacturer's gambling equipment that they can.

Commissioner Stearns agreed.

Staff recommends approval of all new licenses and Class III gaming employees listed on pages 1 through 20.

Commissioner Simpson made a motion seconded by Commissioner Gray to approve the new licenses and Class III employees listed on pages 1 through 20. The vote was taken; the motion passed with five aye votes.

Defaults

a) Tung P. Le, Card Room Employee, Revocation

Lead Staff Attorney Melinda Froud explained that Mr. Le is a card room employee who under-reported \$492 in tips from June 8th through June 10th of 2013. Additionally Mr. Le currently owes \$3,509 in court ordered fines and fees that have been sent to collections. He also has two failures to appear on his record in connection with the fines and fees. Assistant Director Harris issued administrative charges to Mr. Le by certified and regular mail. The certified mail came back signed by Mr. Le, so staff knows he received it. The charges notified him that if he did not respond, staff would request a default order to revoke his license. A telephone message was left for Mr. Le reminding him of the deadline to request a hearing. He did not respond to the charges, so he has waived his right to a hearing and the Commission may enter a default order under the Administrative Procedure Act. Staff recommends that the Commission revoke Tung Le's card room employee license.

Chair Amos asked if there were any questions from the Commissioners.

Commissioner Stearns asked if the \$3,509 was not related to his employment.

Staff Attorney Froud affirmed, yes, that would be for other infractions or things that were handled through the court system that then were sent to collections.

Chair Amos asked if there were any questions; there were none. He asked if Tung P. Le was present or if there was anyone present on his behalf; no one stepped forward.

Commissioner Simpson made a motion seconded by Commissioner Gray that the Commission revoke Tung P. Le's Card Room License. The vote was taken; the motion passed with five aye votes.

b) Kao C. Saechao, Card Room Employee, Revocation

Lead Staff Attorney Froud explained that Mr. Saechao is a card room employee who is unqualified for a license based on his 2003 federal conviction for bank embezzlement. He took more than \$24,000 for his own personal use. Mr. Saechao violated the terms of his probation in 2007 and in 2008 by gambling in card rooms. He did not disclose his conviction on his application, and staff did not discover it until after the license was issued. Administrative charges were sent to Mr. Saechao by regular and certified mail. The certified mail came back signed by him. Mr. Saechao called after receiving the charges and staff told him the hearing

request deadline. The memo in your packet erroneously states that Mr. Saechao did not respond to the charges. He did submit a hearing request, but it was received two days after the December 2nd deadline. Staff sent Mr. Saechao a letter to inform him that his request was not timely received and that a default order to revoke his license would be presented at this meeting. The letter also explained that the meeting is open to the public and he could attend if he wished to speak to the Commission regarding his hearing request. By not timely responding, he has waived his right to a hearing and the Commission may enter a default order. Staff recommends that the Commission revoke Kao Saechao's card room employee license.

Chair Amos asked if there were any questions.

Commissioner Stearns asked how long did Mr. Saechao have a license for and how did staff discover the error in issuing his license.

Staff Attorney Froud replied she believed Mr. Saechao had it for probably just a matter of months. She checked the dates to see when it was issued.

Assistant Director Griffin reported in the Findings and Conclusions decision it says that the applicant applied in September 2013, and then about a week after he had received his license staff had discovered that Mr. Saechao had been arrested.

Commissioner Stearns asked if Mr. Saechao hadn't worked.

Assistant Director Griffin replied Mr. Saechao could have worked during that one week period, but did not know if he was scheduled or not, or if he had gone through training.

Chair Amos asked if there were any questions; there were none. He asked if Kao C. Saechao was present or if there was anyone present on his behalf; no one stepped forward.

Commissioner Simpson made a motion seconded by **Commissioner Gray** that the Commission revoke Kao C. Saechao's Card Room License. *The vote was taken; the motion passed with five aye votes.*

c) **Juan R. Correa, Class III Employee, Revocation**

Lead Staff Attorney Froud explained the next one was for Juan Correa. Mr. Correa is a certified employee who conspired with another employee at the Yakama Legend's Casino to manipulate the weekly player's club drawing. This resulted in a loss to the casino of at least \$64,000. The Yakama Nation terminated Mr. Correa and subsequently revoked his tribal gaming license in November. Administrative charges were sent to Mr. Correa by regular and certified mail. The certified mail came back as undeliverable, however the charges sent by regular mail were not returned. Staff presumes that Mr. Correa received the charges at his last known address on file. Staff made a reminder call to Mr. Correa, but he did not respond to the charges, and he has waived his right to a hearing. Staff recommends that the Commission revoke Mr. Correa's Class III certification.

Chair Amos asked if there were any questions; there were none. He asked if Juan R. Correa was present or if there was anyone present on his behalf; no one stepped forward.

Commissioner Simpson made a motion seconded by **Commissioner Gray** that the Commission revoke Juan R. Correa's Class III Certification. *The vote was taken; the motion passed with five aye votes.*

d) **Hong T. Nguyen, Card Room Employee Applicant, Denial of Licensure**

Lead Staff Attorney Froud reported the final default was for Hong Nguyen. Ms. Nguyen has applied for a card room employee's license, but is unqualified based on her involvement with bookmaking and operating a lottery. Criminal charges for her felony bookmaking case were issued against her in 2005, and the applicant later completed a diversion program. Administrative charges were sent to Ms. Nguyen by regular and certified mail and were not returned, so staff presumes that she received them. Staff made a reminder call to Ms. Nguyen, but she did not respond to the charges and has waived her right to a hearing. Staff recommends that the Commission deny Ms. Nguyen's application for a card room employee license.

Chair Amos asked if there were any questions; there were none. He asked if Hong T. Nguyen was present or if there was anyone present on her behalf; no one stepped forward.

Commissioner Simpson made a motion seconded by **Commissioner Gray** that the Commission revoke Hong T. Nguyen's Card Room License. *The vote was taken; the motion passed with five aye votes.*

Commission Memorandum

a) **John S. Sagatu** - Update to Commission on fines and fees payment
Ms. Froud explained the report back on Mr. John Sagatu. This matter was before Commissioners to report back on the status of Mr. Sagatu's court ordered fines and fees payments, there was no vote required by the Commission. This case was last presented before Commissioners at the July 2013 meeting. In April an administrative law judge issued an Initial Order revoking Mr. Sagatu's Class III certification based on administrative charges issued in connection with his failure to pay court ordered fines and fees in collections. Mr. Sagatu filed a Petition for Review and the hearing was held during the July meeting. Mr. Sagatu did not appear and the Commission modified the Initial Order revoking his certification, deferring the matter until November 11, 2013. The Commission also suspended his certification during that deferral period. The Commission's Order provided that if Mr. Sagatu made all of the payments required on all of the outstanding court fees and costs by November 11th, his suspension would serve as the full and final sanction of the matter. If Mr. Sagatu failed to comply with any of the above conditions of deferral, it may result in the matter being brought back before the Commission for further proceedings.

On November 12, 2013 Commission staff confirmed that Mr. Sagatu made full payment towards his outstanding court fees and costs and notified Mr. Sagatu that he could return to work. As this

case does not require a vote by the Commission, Ms. Froud believes that this update will conclude staff's administrative case against him unless there are any questions.

Chair Amos asked if there were any questions.

Commissioner Gray asked if Mr. Sagatu had been notified, or would be notified.

Ms. Froud replied Mr. Sagatu had been notified by letter and she thought he may have gone back to work the same day or shortly thereafter.

Commissioner Stearns thought that was good to hear.

Chair Amos agreed.

Rules Up For Final Action

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

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

Assistant Director Mark Harris explained the petition from Ashford Kneitel from Ashford Gaming, LLC, now a licensed distributor, as of the beginning of January is up for final action. The petitioner is requesting that for the game of Mini-Baccarat a player be allowed to make an optional wager on either the player hand or the banker hand, winning the next three consecutive games. Under the current rule, a player's win or loss must be determined on a single card game. Mini-Baccarat uses community cards where two shared hands are dealt, called the player and the banker. And unlike other card games, players are not dealt their own individual hands. Players may bet on one of the two shared dealt hands rather than on their own hand. Copies of the rules are in your handout.

The petitioner has not yet submitted the game for a formal review because the game would not be currently authorized because the player's win or loss is not determined on a single card game. Because of that Mr. Kneitel has submitted this Petition for Rule Change.

In 2012 the Commission adopted an exception to this rule to allow for carryover pots. Carryover pots are an optional pot that accumulates as the dealer and participating players contribute to the pot. The pot is not necessarily determined after one game and can be carried over for more than one game, which Mr. Harris believes are up to ten. Staff is not aware of any complaints related to that 2012 change. And based on our experience with that rule change, staff does not anticipate any significant regulatory concern with the petitioner's new proposal.

The game is currently authorized in Nevada. But when staff contacted the Nevada Gaming Control Board, they were informed that they do not track the games and do not know where and how popular this game was in Nevada. But they were not aware of any complaints regarding the game either. The petitioner was present if there were any questions.

Chair Amos asked if there were any questions.

Commissioner Stearns asked if the last time Mr. Kneitel came before the Commission, as of that time no one had picked up the game in Nevada, and asked if that had changed.

Mr. Ashford Kneitel responded, No, he had not. Mr. Kneitel stated his name, Ashford Kneitel, Manager for Ashford Gaming, LLC, and have worked as a dealer for seven years, and feels he has a lot to contribute to the gaming industry. And like Assistant Director Harris said, as of January 3rd, he had obtained his distributor license for the State of Washington. Further stating he lives and breathes the gaming industry, and was just looking forward to getting more involved in Washington. He thanked Commissioners for their time.

Chair Amos asked if there were any questions or comments.

Commissioner Gray quickly asked if the game presented for approval was the game that Mr. Kneitel had demonstrated earlier.

Mr. Kneitel affirmed.

Chair Amos asked again if there were any questions, there were none.

Commissioner Gray made a motion seconded by **Commissioner Stearns** to approve the amendment to WAC 230-15-040 effective 31 days from filing. *The vote was taken; the motion passed with three aye votes. Commissioner Simpson voted nay.*

Rule Up For Discussion

Staff Proposed Rule Change: 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

Ms. Hunter explained this rule was up for further discussion, and was filed at the November Commission meeting. This rule is in response to an October 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 on to a cash card. The amendment would allow the prizes of \$20 or less, and most prizes are below \$20. At the November meeting Ms. Hunter explained the full court case procedure, which was reflected on pages 22 through 26 of the minutes. The impact of the rule change would allow other manufacturers to develop similar electronic video pull-tab dispensers. It was really difficult for staff to predict whether any other manufacturers would do this or not.

At the last meeting in November, ZDI's attorney Joan Mell urged the Commission to not file the rule as she wanted to sit down and agree on a rule with staff. Mr. Gerow, her client, was at the study session this morning. Mr. Gerow said that Ms. Mell was unavailable, but they are still

interested in getting some language to staff. Mr. Gerow approached Ms. Hunter after the study session to let her know that he could not be at this portion of the meeting and asked if she would just convey that information on to Commissioners; that they are still interested in proposing some language. Ms. Hunter told Mr. Gerow that she would make sure that Commissioners were aware of that.

Ms. Hunter said that staff would recommend further discussion.

Chair Amos reported that Mr. Gerow had also approached him and said that they will have new language at the next meeting in February for this issue. Chair Amos affirmed and said that would be fine and thanked Mr. Gerow for his time and told him he would see him next month.

Commissioner Stearns asked if the new language would replace what was listed under section 4 of the agenda.

Ms. Hunter replied those were the only additions that staff was proposing right now. She did not know what other language Ms. Mell would have as staff had not received anything since the last meeting. It sounds like they are still working on it, based on what they have shared.

Commissioner Stearns asked when the Court and ZDI approved this ZDI game, what was in the language here obviously includes that, and was it Ms. Hunter's interpretation that what Commissioners were approving would be broader, or pretty tight.

Ms. Hunter replied her impression was that the language was pretty tight. And Ms. Castillo has been involved in different aspects of the litigation if she has anything to add. The language is just meant basically to conform to the Court's order.

AAG Castillo replied she concurred with Ms. Hunter; it basically mirrors what the Superior Court had ordered and does not go any further.

Commissioner Gray asked if the rule was only up for discussion.

Ms. Hunter replied yes, staff does not always have rules on what she would call a middle month. Often they would be filed at a meeting and then the next month they are not before Commissioners at all, they were only at study session and they would be up for final action. At the November meeting Director Trujillo had noted that given Ms. Mell's comments, that staff would put this back on the Commissioners agenda for further discussion.

Commissioner Gray asked if they needed a motion.

Ms. Hunter responded no, Commissioners do not need to do anything.

Rule Up For Discussion and Possible Filing

Petition for Rule Change from the Public: Steve Berven, Pull-tab Licensee: Increasing the threshold for recording identification information for punch board/pull-tab winners from \$20 to \$50

Amendatory Section: **WAC 230-14-110** - Recording winners

Amendatory Section: **WAC 230-14-115** - Defacing winning punches or pull-tabs

Amendatory Section: **WAC 230-14-265** - Retention requirements for punch board and pull-tab series

Assistant Director Harris explained the rules change was a petition from Steve Berven, owner and operator of four commercial operations that sell pull-tabs. It is up for discussion and possible filing.

The petitioner is requesting to increase the threshold for recording winner information from pull-tabs of over \$20 to over \$50, and to increase the threshold for retaining winning tickets from over \$20 to over \$50. The rules currently require operators to record winner information, which includes the winner's name, date of birth, and then the bartender puts their initials and the date on the ticket for pull-tabs over \$20, and retains the winning tickets over \$20 for three months.

The petitioner stated that the rule was adopted when games only had 25 cent tickets. The top tier winners were smaller, and there was no casino gambling. The change, Mr. Berven said, would save operations a lot of time, increase customer service and satisfaction.

Staff uses the pull-tab winner information in theft and fraud investigations. A recent example of this would be because the information was recorded on prizes of more than \$20, an agent was able to identify \$2,265 of fraudulently obtained pull-tab cash prizes. Increasing the threshold from over \$20 to over \$50 would decrease the evidence that was available for such investigations. However staff believes the benefit to the licensee may outweigh that regulatory risk. If the rule change were made, it also may decrease the amount of time staff spends to determine regulatory compliance, meaning staff would only have to look at tickets for prizes over \$50, as opposed to \$20 and above.

Staff has received feedback from about 16 people supporting the change and one opposing it. Of those supporting, two of the operators stated that the dollar amount of the threshold has not kept up with inflation. They said the value of a \$20 prize in 1984 equals the value of \$40 today. Staff did a little research and it actually would be about \$45 today. The opposition came from an operator that uses a point-of-sale system. Basically when the information is entered, the system prints out a slip of paper, or a winner's register, for bartenders to fill out because some of the tickets are too small to write the information. The concern was because they might have to have that system reprogrammed because it will print out anything over \$20, so it would have to be changed to anything over \$50. The other option would be they just print out the ticket and then just throw it away and only use the ones for \$50 and above. That was the only opposition staff had received so far.

Staff recommends filing the petition for further discussion. And the petitioner is here today.

Chair Amos asked if there were any comments.

Mr. Berven introduced himself and stated he operates the Uptown Bar & Grill, Ty's Bar & Grill, Dax's Bar & Grill, and the Parkade Bar & Grill in the Tri Cities area. He explained it was not so much the time of printing out the sheet for the winner's registers that was the causes of the rule change; it was that employee's have to stop and interact with the customer who is busy doing other things and socializing. And it really slows down your employee's ability to service in other areas. So it was time consumption. Compare that to a \$50 winner now where you can go into a casino and win three or \$400 in a hand. Mr. Berven said he realizes there are some fraud concerns. My guy pointed that out. He had not even really thought about that when he filed the petition. But he did not think it was in the lower ends. In our experience when we have caught theft by employees, it was in the upper end tickets, like the three or \$400 range. Mr. Berven would urge Commissioners to go forward with this and help licensee's reduce some of the paperwork and help pull-tabs flourish a little bit. Thank you.

Chair Amos asked if there were any questions.

Commissioner Stearns replied was this something your customers have asked for too.

Mr. Berven said customers would just as soon eliminate all of the winner registers because it was something that they have to do; they have to fill out paperwork.

Chair Amos thanked Mr. Berven and asked if there were any comments from the public, there were none.

Commissioner Gray made a motion seconded by **Commissioner Stearns** to file for further discussion the proposed amendment to WAC 230-14-110 - Recording winners, WAC 230-14-115 - Defacing winning punches or pull-tabs, and WAC 230-14-265 - Retention requirements for punch board and pull-tab series. *The vote was taken; the motion passed with five aye votes.*

Other Business/General Discussion/Comments from the Public

Chair Amos opened the meeting for other business, general discussion, and comments from the public. There was none. He called for a fifteen minute break at 3:05p.m. and reconvened the meeting at 3:20p.m.

Petitions for Review:

Katie A. Bowman, Class III Certification, Revocation

AAG Rosen and Attorney Jeffrey Adams provided their arguments in the Petition for Review. A recording and transcript of the hearing is available upon request.

At the conclusion of the arguments, **Chair Amos** asked if there were any questions. There were none.

Terri Mullins, Card Room Employee, Revocation

AAG Rosen and Ms. Terri Mullins provided their arguments in the Petition for Review. A recording and transcript of the hearing is available upon request.

Chair Amos asked if there were any other questions; there were none. He asked AAG Castillo what the Commission's next action should be. **AAG Castillo** recommended the Commission go into closed executive session for their deliberations.

The Commissioners then broke to go into deliberation to discuss the revocation at 4:17p.m. and returned with their conclusion at 4:33p.m.

Chair Amos asked if anything else needed to come before Commissioners before they went into executive session, there were none.

Executive Session to Discuss Pending Investigations, Tribal Negotiations and Litigation

Chair Amos announced that the Executive Session was expected to last approximately 30 minutes and at the end of the executive session the public meeting would be resumed solely for the purposes of adjourning. At 4:40 p.m. the Commission went into an Executive Session to discuss pending investigations, tribal negotiations, and litigation.

Adjourn

Chair Amos adjourned the meeting at 5:05 p.m.

Minutes were submitted to the Commission for approval by:
Michelle Rancour, Executive Assistant