

Commission Meeting Minutes

Approved

Location of Meeting:

Comfort Inn Conference Center
1620 74th Avenue SW
Tumwater, WA 98501
(360) 352-0691

Date and Time of Meeting

Thursday, September 11, 2014
11:30 a.m.

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

Commissioners

- ✓ Mike Amos, Chair
Kelsey Gray, Ph.D.
- ✓ Chris Stearns
- ✓ Julia Patterson
Bud Sizemore

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.

Welcome

Mike Amos, Commission Chair

Chairman Mike Amos called the Gambling Commission meeting to order at 11:30 a.m. at the Tumwater Comfort Inn Conference Center and introduced the members present.

Executive Session to Discuss Pending Investigations, Tribal Negotiations and Litigation

Chair Amos announced there would be an executive session working lunch. He excused the audience and asked everyone to meet back at 1:00 p.m. for the rest of the meeting.

Chair Amos called the meeting back to order at 1:30 p.m. and announced the next item on the agenda.

Chair Amos requested a moment of silence in remembrance of people who lost their lives on 9/11.

- ADMINISTRATIVE PROCEDURE ACT PROCEEDINGS -

1. Petition for Declaratory Order

Amy Hunter, Administrator

a) Microsoft Corporation

Amy Hunter, Administrator explained that Microsoft is requesting the Commission enter a declaratory order concerning whether/how Washington state gambling statutes would apply if Microsoft provides the internet infrastructure for ads related to gambling (including ads for Internet gambling) if the ads aren't viewable by Washington residents. Mr. Rob McKenna represents Microsoft. He, along with an attorney from Microsoft, William Hayden, addressed the Commission and answered various questions. Mr. Hayden explained three technological ways Microsoft can limit the ads.

Commissioners had questions about whether Microsoft was creating the ads. The response was that Microsoft is not involved with the development of content for the ads. Mr. Hayden explained Microsoft is the pipe through which the ads pass. Commissioner Patterson asked if they would be willing to prepare a Declaration explaining they don't create the ads. They said they would.

By WAC (230-17-180), the Commissioners have four options on how they can respond to declaratory action requests. They decided (by a 3:0 vote) to "Set a specified time no more than ninety days after receipt of the petition by which it will enter a declaratory order."

- PUBLIC MEETING -

2. Director's Report

David Trujillo, Director

a) Staff Recognition

Mark Harris was recognized for 20 years of state service, all with the Gambling Commission.

This was Chair Amos' last meeting and he was recognized for his six years of service on the Commission. He spoke about how much he has enjoyed working with staff and the industry. He talked about his first Commission meeting, which did not adjourn until late into the evening. Amy Hunter read an article from the newspaper

b) Correspondence

Governor Inslee appointed Ed Troyer to the Commission to replace Chair Amos. Mr. Troyer is in charge of Media Relations for the Pierce County Sheriff's Office.

c) GAO Report

The federal GAO met with Commission staff a few weeks ago about tribal gambling. Congress is learning more about how tribal gambling is regulated in various states and Washington is one of the states they met with; they also met with about four Washington Tribes while here. The GAO is expected to release their report in 2015.

d) News Articles

Director Trujillo pointed out several news articles that may be of interest.

e) Monthly Update Reports

The Administrative Case Report was included for review.

5. Staff Presentations (PowerPoint)

a) & b) were follow-up presentations from the Strategic Issues Discussion the Commissioners had at their October 2013 and January 2014 meetings. These were areas about which the Commissioners wanted additional information.

a) Future of Technology from a Statewide Perspective *Tom Means, ITD Administrator*

Tom Means, Administrator, explained the various statewide technology objectives from the Office of the Chief Information Officer (OCIO). State strategic technology objectives include:

- Mobility
- Open & Transparent Govt.
- Modernization of St. Got.
- Innovative delivery of services
- Security

Tom explained more about each of these.

b) What Technology is Currently Allowed/Limitations *Jennifer LaMont, Program Manager & Paul Dasaro, Administrator*

Jennifer LaMont & Paul Dasaro covered several topics, including:

- Gambling Equipment Team (GET) process
- Rules & laws that guide the team's review
- Current technology
- Future of technology

c) Adjusted Cash Flow and Significant Progress *Allen Esparza, Special Agent*

This presentation explained the rules and the requirements charitable/nonprofit organizations must meet. Item 9 is a proposed rule change to get rid of the "adjusted cash flow" rules; therefore, this presentation gave background information for what is required now.

d) Raffle Reports (Memorandum)

Tina Griffin, Assistant Director

The first memo summarized eight (8) raffles the Commissioners have approved since 2009, where the charitable/nonprofit organizations have been able to exceed the normal raffle prize limits.

The second memo summarized the results of Special Olympics of Washington's "enhanced raffle." "Enhanced raffles" were passed in 2013 by the Legislature and Special Olympics was the first organization to hold this type of raffle.

6. Approval of Minutes – June 12, 2014 Commission Meeting

Commissioner Patterson: Moved to approve.

Commissioner Stearns: Second.

Motion approved. 3:0

- ADMINISTRATIVE PROCEDURE ACT PROCEEDINGS -

7. New Licenses and Class III Employees

Tina Griffin, Assistant Director

Tina Griffin, Assistant Director, reported that staff recommends approval on pages 1 thru 20. There were no changes to the House-Banked Card Room report, there were still 50 card rooms operating. Staff did receive two house-banked card room applications, and those would be in the next month's approval list.

Commissioner Patterson: Moved to approve.

Commissioner Stearns: Second.

Motion approved. 3:0

Rules Up For Final Action

8. Staff Proposed Rule Change

Tina Griffin, Assistant Director

License and I.D. Stamp Fee Increase Alternatives #1 and #2.

- Amendatory Section: WAC 230-05-020 Charitable or nonprofit organization fees.
- Amendatory Section: WAC 230-05-025 Commercial stimulant fees.
- Amendatory Section: WAC 230-05-030 Fees for other businesses.
- Amendatory Section: WAC 230-05-035 Individual license fees.

At their June 2014 meeting, the Commissioners asked staff to bring forward two alternative fee increases for filing at the July 2014 Commission meeting. The Commissioners filed both versions at the July meeting.

Commissioner Stearns moved Alternative #1 (6% version) be approved.

Commissioner Patterson seconded the motion.

There were no no comments from the public.

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Commissioner Patterson made the following comments:

- Staff has done an excellent job of convincing her of the public good to come from this & its importance.
- The Comm. is responsible for overseeing many activities, including illegal gambling, theft, fraud, people abusing animals, internet gambling. We need this fee increase, as well as other help.
- We need to evolve w/ technology so we continue to be viable.
- Was skeptical at first. If want to stay true to our goal of keeping gambling legal & honest, need to do this.

Motion passed 3:0, effective 11/1/14.

Rules Up For Discussion and Possible Filing

9. Petition from the Public

Tina Griffin, Assistant Director

Cash Flow Requirements for Bingo Games.

New Petition for Rule Change from Clyde Bock/Ric Newgard

- WAC 230-10-370 Adjusted cash flow limits for bingo.
- WAC 230-10-375 Failing to maintain a positive cash flow.
- WAC 230-10-380 Relief reduction for minimum annual adjusted cash flow.

With these rule changes, bingo licensees with annual gross gambling receipts over \$1.5 million dollars would no longer have to meet quarterly and yearly “cash flow” requirements, which is calculated based on the quarterly activity reports they submit. Instead, licensees would have to show a positive cash flow when they submit their annual financial statements to the Commission. These financial statements would continue to be prepared in accordance with WAC 230-07-150. In addition, associated rules allowing a reduction for taxes paid and an automatic 25% reduction of the cash flow requirements would also be repealed. There are currently only 8 licensees who would be impacted by this petition because they have annual gross gambling receipts from bingo and punch board/pull-tab (PB/PT) activities over \$1.5 million.

Ms. Griffin reported that the number of bingo licensees has decreased significantly from 571 in 1987 to 179 as of July 30, 2014.

Ms. Griffin also reported that the bingo net income peaked at \$19.9 M in 1981; \$2.5 M as of June 30, 2013.

Motion to file for further discussion.

Motional passed 3:0.

No comments from the public.

10. Staff Proposed Rule Change

Amy Hunter, Administrator

Re-codification of WAC 230-14-047

- WAC 230-14-047 Standards for electronic video pull-tab dispensers.

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This rule proposal is to re-codify the current version of WAC 230-14-047. Because this rule relates to the regulation of licensing, it requires an affirmative vote of at least three Commission members for final approval (RCW 9.46.050(2)). A May 2014 Court of Appeals decision held that in 2008, WAC 230-14-047 was “adopted without compliance with statutory rule making procedures” per RCW 34.05.570(2)(c). The Court of Appeals found that the rule relates to the regulation of licensing, and thus under RCW 9.46.050(2) required the affirmative vote of at least three Commission members for final approval. The rule was improperly promulgated in 2008 because only two of the three Commission members present voted to approve the rules.

No comments from the public.

- PUBLIC MEETING -

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

Commissioner Stearns thanked Chair Amos for his service; he said he has learned a lot from him in his year on the Commission and that he is truly a public servant.

Chair Amos said he will miss everyone greatly; he appreciated everyone’s willingness to have conversations, even difficult ones.

Several attendees also thanked Chair Amos, including George Teeny, Dolores Chiechi and Monty Harmon. Mr. Teeny said he has seen every type of Commissioner during his 26 years of being a licensee and that he ranks Chair Amos right at the top, along with past Commissioners, such as George Orr, Liz McLaughlin, and Curt Ludwig. He appreciated Chair Amos’ humor and humanity. He said, “you were always who you were.”

Chair Amos said it’s been a pleasure and that the staff had been great.

Adjourn

Chair Amos adjourned the meeting at 3:40 p.m.

Commissioner Chris Stearns will be Acting Chair at the October meeting.