

Commission Meeting Minutes

APPROVED

Location of Meeting:

Red Lion Hotel Olympia
2300 Evergreen Park Drive
Olympia, WA 98502
(360) 943-4000

Date and Time of Meeting

Thursday, January 8, 2015
11:30 a.m.

✓ Indicates Commissioners and Ex Officio Members Present.

Commissioners

- ✓ Chris Stearns, Chair
- ✓ Bud Sizemore, Vice-Chair
Kelsey Gray, PhD.
- ✓ Julia Patterson
- ✓ Ed Troyer

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 -

Welcome

Chris Stearns, Commission Chair

Chairman Chris Stearns called the Gambling Commission meeting to order at 11:30 a.m. at the Red Lion Hotel Olympia and introduced the members present.

Executive Session to Discuss Pending Investigations, Tribal Negotiations and Litigation

Chair Stearns announced there would be an executive session. He excused the audience and announced the session would last approximately one hour.

Chair Stearns announced at 12:30 p.m. that he was extending the Executive Session to 1:00 p.m. At 1:00 p.m. a public announcement was made extending the Executive Session to 1:20 p.m. The Commission meeting reconvened at 1:30 p.m.

Director's Report: *presented by David Trujillo, Director*

Director Trujillo explained that he has added a summary page to the director's report, and it is his intent to have this included with the commissioners' packets each month. He called for feedback from the commissioners.

Director Trujillo also recognized Special Agent Supervisor Danny Lisa and fellow supervisor Karen Rea for their participation in speaking at a charitable non-profit symposium sponsored by the Washington Association of Certified Public Accountants in December. He also mentioned that he and Chair Stearns had presented at the Northwest Gaming Law Summit in December. Commissioner Patterson had the opportunity to attend that as well, along with some key staff. **Director Trujillo** also acknowledged Dolores Chiechi because she invited Assistant Director Tina Griffin and him to attend the Recreational Gaming Association's State of the Industry meeting, and provided them with some very good information.

Director Trujillo reported the Commission issued a press release on the culmination of some tribal negotiations. The first legislative hearing would be held Monday, January 12th at 1:30 in House Hearing Room E. **Chair Stearns** commented the proposed Compacts had been forwarded. Commissioners and Ex Officio members would be voting at the regular Commission meeting on February 13th.

Director Trujillo briefly touched base on the follow-up assignments and the strategic topics. He also said that Recreational Gaming Association was to present in January and they have been moved to the March meeting at their regret.

Assistant Director Julie Lies presented the tribal community contributions summary report. She also announced that the report would be available online next week for those who would like to review it. **Commissioner Patterson** questioned the problem gambling contributions and requested if commissioners could learn more about how the money was invested. **AD Lies** replied that staff does not have access to that information. Staff does know that the money is going to a tribal program, wellness program related to problem gambling, and the same thing with smoking cessation. But staff do not go into the tribe and say how you spent that money in that program, was it on education, was it on awareness, was it on treatment, and who it was. Staff does not do that additional follow-up. **AD Lies** reported that the disbursements can either go to a charitable nonprofit organization or to a governmental program, which can be State government or tribal government. **Commissioner Troyer** added there are rules in place that a certain amount of that money cannot be spent on the tribe. If you look deep into where the money goes, a lot of it has to go to nonprofits, and other organizations, and government entities that don't support the tribe in any way. Some of the money is sent out to do that because the tribes want to take care of their own. So a lot of the people that are receiving those types of dollars are actually directed to not direct it back towards the tribe. **AD Lies** also added for the smoking cessation and problem gambling there isn't that restriction. There is that restriction on

the charitable funds; that it can't go to tribal organizations, and community impact, it depends on the Compact, and each tribe may be slightly different.

“MyAccount” Update: *presented by Tina Griffin, Assistant Director*

Assistant Director Tina Griffin explained the newest features and progress on the My Account online licensing feature of the WSGC website. The new features enable licensees to print their own license, update contact information, view all transactions conducted online, and organizations can go in and actually renew each gaming employee's license for them, fill that out, add them into the shopping cart, and pay in one check for a number of their employee's renewal licenses. They can also change the employee address. Once an employee is licensed with the Commission, they can transfer to a different casino and begin working immediately, as soon as this application is filled out and the fees are paid. And so again, it allows the transfer process to go quickly. Organizations can enter a change of name, management or change of stock online, and all of these features have payment options as well. They can apply for a different license; they can check the renewal status of all their employees. This is a good tool to use if they want to check if any of their card room employees are up for renewal within the next month. It also shows when we receive the money for a renewal application, what the status is, and when we mail the renewal. One of the newest features includes the ability to pay any fine or fee online; there is a calendar feature that lets licensees know when payments are due, and when to file the quarterly activity reports. The last feature lets licensees set how they want staff to communicate with them, including newsletter notifications, Commission meeting dates, and rule making press releases. My Account is not just for licensees, anyone can sign up to receive communication, including the calendar of events associated with the Commission. They will have access and can subscribe to rule making and Commission meeting notices.

- ADMINISTRATIVE PROCEDURE ACT PROCEEDINGS -

Rule Up For Final Action

Petition from the Public: Distributor Representative for Magic Distributing.

Manufacturers and distributors. *Presented by Mark Harris, Assistant Director*

Filed 03/04/2014 as a Pre-Proposal Statement of Inquiry (CR-101) under WSR #14-06-092.

Proposed Rule Making (CR-102) under WSR #14-09-039 with a published date of 05/27/2014, with continuance file October 6, 2014 under WSR 14-21-029.

Original and Revised Versions:

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

Assistant Director Mark Harris explained the following petition was from John Lowman, a licensed distributor representative, and was up for final action. AD Harris gave a brief description of the petition requesting the Commission adopt a new rule to require licensed

manufacturers of bingo, pull-tab products and equipment to make their products and equipment available to distributors, as there were some licensed distributors who were unable to purchase bingo and pull-tab products and equipment from all the licensed manufacturers. At the July 2014 Commission meeting, the Commissioners voted 3 to 2 to delay final action and requested an informal Attorney General opinion on whether the Commission has Statutory authority to adopt the petitioner's rule. In December 2014 Commissioners received an opinion that the Commission has implied statutory authority to impose restrictions on licensees if those restrictions are essential to the legislative purpose of the Gambling Act. The Assistant Attorney General said a court would likely find a rule requiring all manufacturers to sell their products to all distributors arbitrary and capricious, and found that on the facts available, it is unlikely that a court would conclude that such a rule is necessary to effectuate the Commission's expressed Statutory authority to regulate gambling. Staff recommends not approving the petition, based on the AGO's informal opinion. The petitioner was present.

Mr. John Lowmon, distributor representative for Magic Distributing, thanked the commissioners and staff for their assistance on the rule change. He commented on the scope of the questions, stating they were pretty narrow and thought the Attorney General could not make any other decisions than the one they did have to make. He stated, "When you come down to the common denominator, the State requires that we sell only those manufacturers products. And part two of that is the State does not allow us to have those products. The manufacturers are the ones apparently that allow us to have those products. So that is really very complex." **Mr. Lowmon** also commented about the difficulties he has experience with other distributors and manufacturers. He said, "In the historic record prior to this Commission, the State said that our company has poor business practices, we have past due accounts, we write bad checks, and that manufacturers don't have the product for us to sell. None of this is true. That has been out there harming our company all these years. Basically we just want to be able to go out and have a business, make a living, and have access to product. We aren't behind on bills, we pay cash. If you come up to a manufacturer's business and they have a product that we are required to sell and we have cash to pay for it out their back door, they can arbitrarily say no, even if we were the only distributor in the State. That's where things are at right now." Mr. Lowmon asked if there were any questions. There were none.

Chair Stearns called for public comment.

Ms. Mary Magnuson introduced herself, and gave a rather lengthy explanation of the history of the rule making process prior to 2005. Ms. Magnuson stated, "The problem with this proposal is it doesn't have any of those other safeguards. If this proposal were to go back to the way the rule was prior to 2005, I wouldn't be standing here opposing it. But what this rule does is it simply installs a part of what was in place prior to 2005. And that's the fundamental problem with the rule. This rule doesn't have any of the exceptions that existed to the previous "sell to all" rule as I call it. Nor does it have the protection that was afforded, and the stability that was provided by the credit rule. So that is our fundamental opposition to this rule." Ms. Magnuson also stated she did not feel that the petition, as it was currently drafted, would work to solve the problem,

and that it would only make matters more difficult in this market. She agreed with the ATG analysis, and has submitted her comments in writing. She asked if there were any questions.

Commissioner Patterson asked why if it were a cash transaction would there be any question about professionally dealing with that distributor, regardless of history, regardless of battles in this room. What would the reason be for choosing not to do business with that distributor if they're going to hand you cash for the product?

Ms. Magnuson replied it was really just a business decision. She did not know why the product had not shipped since September, but she was willing to find out. Ms. Magnuson commented if the petition were granted and this rule were adopted as written, the unintended consequence, she thought, of that was really to give Arrow a larger share of the market. Now the Commission is saying they have to sell to everybody. The little guys, who are now here, are here because there's room for them to be in this market because Arrow has decided to not do business with everyone. If Arrow now sells to every distributor in the State, there will be no competition because the other little guys will have less ability to survive here because they won't have the business. **Ms. Magnuson** said she thought the unintended consequences of the rule change would be more anti-competitive than the current market. The smaller manufacturer/distributors could not afford to stay in the state, as they would not have the business to keep running.

Commissioner Troyer added that the state does not want to be in business with people who are not making good business practices. **Commissioner Patterson** commented that Commissioner Troyer's point was that there was a state interest in the matter. **Ms. Magnuson** replied there was a state interest because the companies were licensed here in Washington. She also commented that the Commission was here to regulate and enforce, but not to get into the day-to-day business decisions that are made between the licensees. She strongly encouraged Commissioners and staff to deny the petition and to come back with a rule that encompassed the language prior to 2005.

Chair Stearns asked if there were any further comments from the public, there were none. He called for a motion and there was none.

Assistant Attorney General Callie Castillo clarified for the record, which meant that the Commission was not taking action on the rule making and the petition will just for all intents and purposes, die.

Chair Stearns added that he wanted to recognize Senator Steve Conway for his time on this issue and bringing it to the Commission.

Motion denied. 4:0

Rules Up For Discussion and Possible Filing

Refunds and non-sufficient funds payments. *Presented by Tina Griffin, Assistant Director*

Filed 10/17/2014 as a Pre-Proposal Statement of Inquiry (CR-101) under WSR #14-21-123.

- b) Amended Section: WAC 230-05-001 Prorating or refunding of fees.
- c) Amended Section: WAC 230-05-010 Returned checks.
- d) Amended Section: WAC 230-06-140 Partial refund of license fees if gambling receipts limit not met.

Assistant Director Tina Griffin explained this was a staff proposed rule package regarding refunds and non-sufficient fund payments. This proposal would allow the Commission to retain our processing costs for refunds that staff issue regarding over-payments, duplicate payments and refunds of license fees when the licensee actually operated at a lower level than the license class that they paid for.

The rule proposal would also allow the Commission to increase the amount that we charge for processing non-sufficient fund payments, which could be the electronic checks, or actual physical checks that come back NSF. Lastly the proposed language would allow the Commission to adjust our processing costs over time, without changes to the rule. Currently the rule has a dollar amount the Commission charges for NSF checks. By changing the language more broadly, staff could adjust the amount without having to come back to the Commission.

Staff would, of course, post online and give notice to our licensees what that cost would be for processing a non-sufficient fund payment. **AD Griffin** asked if there were any questions. There were none.

Commissioner Sizemore made the motion to file for further discussion.

Commissioner Troyer seconded the motion.

Motion Approved. 4:0

Online processes for licensees. *Presented by Tina Griffin, Assistant Director*

Filed 10/17/2014 as a Pre-Proposal Statement of Inquiry (CR-101) under WSR #14-21-123.

- a) Amended Section: WAC 230-06-125 Renew your license in a timely manner.
- b) New Section: WAC 230-06-124 Online filing and payments required with waivers available upon request for good cause.

Assistant Director Tina Griffin explained the next rule up for discussion and possible filing was also a staff proposed rule for online processes for licensees. This rules package would require licensees to renew online and to file their Gambling Activity Reports online through My Account. Staff would allow waivers to licensees who could show good cause. The rule outlines what staff would consider to be good cause reasons for individuals and for organizations. Since this proposal would have a significant impact on licensees, staff did send notice to licensees in November, and also posed a survey to licensees online. The letter to licensees was included in the Commissioners agenda packets. Ms. Griffin shared that staff did receive fifteen licensees in support of the rule change, twenty licensees in opposition of the rule change. Staff does recommend filing this for further discussion. Ms. Griffin asked if there were any questions.

Commissioner Sizemore asked of your assessment of the twenty that were opposed, how many would be eligible for waivers.

AD Griffin replied staff would be very generous in granting waivers because most of those opposed did not have computers. Most of the respondents were nonprofits who were concerned because of the turnover in officers every year. Other factors cited by the nonprofits included their internal controls require two signatures for all checks, no computer, or no internet access. All of these reasons fall within the waiver guidelines. Typically nonprofits, especially the smaller ones, don't have the ability to conduct business online and so a majority of nonprofits would receive waivers.

Commissioner Sizemore and Commissioner Troyer both expressed concern that the nonprofits that received a waiver must be able to make their payments online.

Chair Stearns called for a motion.

Commissioner Sizemore moved to file for further discussion.

Commissioner Troyer seconded the motion.

Motion Approved. 4:0

New Licenses and Class III Employees: *Presented by Tina Griffin, Assistant Director*

Assistant Director Tina Griffin explained there were currently 49 licensed house-banked card rooms operating. Ms. Griffin provided Pre-Licensing Reports for the following applicants: Freddie's Club in Renton as a new house-banked card room; Bally Technologies, a new manufacturer; and Multimedia Games, Inc., a new manufacturer. Ms. Griffin requested the approval of licensees listed on pages one through thirty.

Commissioner Sizemore made the motion to approve.

Commissioner Patterson seconded.

Motion Approved 4:0

Default: *Presented by Amy Hunter, Administrator*

e) Tami R. Morlan, Class III Certification, Revocation

Administrator Amy Hunter explained the revocation was based on a theft that occurred that involved another employee. Ms. Morlan confessed that she had been involved in the theft from the vault. Ms. Morlan was notified by regular and certified mail, notifying her that if she did not respond we would be requesting that her certification be revoked. She did not respond, so she's waived her right to a hearing. Staff would recommend that this certification be revoked.

Chair Stearns asked if there were any questions, or if Ms. Morlan was in the audience. No one stepped forward.

Commissioner Sizemore moved to revoke Ms. Tami Morlan's Class III certification.

Commissioner Patterson seconded the motion.

Motion Approved. 4:0

- PUBLIC MEETING -

Legislative Update: *presented by Amy Hunter, Administrator*

Administrator Amy Hunter stated this will be a short update and staff will have more information at the February meeting. The Commission's main focus will be funding. The Governor did not include staff's request for \$3 million in his budget for the year. Staff will be working with the senate on the commissioner's confirmations.

Chair Stearns asked if there were any questions, there were none.

Approval of Minutes – October 9 and November 14 Commission Meetings

Commissioner Sizemore: Moved to approve.

Commissioner Patterson: Second.

Motion approved. 4:0

Other Business/General Discussion/Comments from the Public

Chair Stearns called for public comment. No one stepped forward.

Commissioner Patterson commented she wanted to reiterate her concern over the proposed rule that was discussed just a few minutes ago that Commissioners did not take action on.

Commissioner Patterson said she was very interested in learning more about others' perspectives on this. She hoped that the Attorney General continues to keep their eye on this issue. I think the manufacturers have to be licensed by the State of Washington, and the product has to be licensed by the State of Washington. So what that means is that by virtue of the fact that a license is required, the people of the State of Washington have an extraordinary interest in that business. If a distributor has cash and was interested in purchasing that state licensed product, it doesn't feel right that a manufacturer can be the final arbitrator in determining who gets that product, without some kind of framework. It means that the manufacturer has the supreme power to make or break a distribution business, based on whatever reason. Maybe there's animosity, maybe this discussion in the room throughout the years has created such animosity that they're just saying heck no, forget it. "You lost again, we're not going to sell to you."

Commissioner Patterson also commented that she thought the Commissioners' did the right thing today because clearly the AG has warned us that we don't have jurisdiction over this issue. For the record, the issue did not feel like it was resolved, and maybe the Commission should encourage the AG to keep an eye on the matter.

Commissioner Troyer added, not only should the AG look at it, but the industry itself should take a look at itself and figure out how to get along and make it work. He would like to see, through legislation or something, if the Commission needed to change some rules or laws, to make sure that an out of state company that's a manufacturer can come in -- and even if they're not, have the ability to eventually bully our local people around. The industry needs to figure out themselves how to get together. Commissioner Troyer said he would like to see how the

Commission could do it legitimately, no matter how long it took, that something be put in place so everybody is protected and treated fairly.

Chair Stearns thanked both Commissioner Patterson and Troyer for their comments.

Commissioner Sizemore said he had one thing to add. The topic we're going to start talking about tomorrow was venturing out on an endeavor by evaluating our fee structure very intently. AD Griffin will be presenting on the topic of funding and licensing fees, and will make sure that Commission members are able to understand where we are, how we got to where we are today, and then help commissioners evaluate the process. We can either validate what has been done to move from the '70s into 2014 or 2015, or we can, based on our increased knowledge over the next few months, start putting together a framework like we were creating the revenue options for this organization from scratch. From those seats out there, from the Commissioners, we have a responsibility to evaluate this information and really set up future Commissions and future staff members of the Commission to have a robust organization that can meet its needs financially.

Commissioner Troyer commented he was in agreement with Commissioner Sizemore, because there were some dramatic cuts in numbers as far as agents go. Agents and staff were at 180 to 130 and now 15 more staff members in the last month. Notices went out to 15 people. It was unfortunate that people had to lose their jobs, but it was even harder for an agency to do the enforcement and the other things needed to be done when they don't have the resources.

Commissioner Patterson affirmed.

Commissioner Troyer added if I and the other Commissioners can't stop certain things, or enforce certain things that may put licensees out of business; it could be likely coming down the road.

Chair Stearns thanked Commissioners and stated the meeting tomorrow starts at 9:30 a.m. to start the license fees discussion. He reminded the audience that Commissioners and staff work for them, so if they could be here and help out, that would be fantastic.

Director Trujillo added that he and staff look forward to a good discussion, and it really was a fee structure discussion tomorrow, not a budget discussion. Those discussions usually take place later in the year. It would distract from looking at what the mission of the discussions over the next three months will be. He wanted to share that, in case anybody from the audience was looking forward to a robust budget discussion.

Chair Stearns asked if there were any further comments, there were none.

Adjourn

Chair Stearns adjourned the meeting at 2:53 p.m.

Commission Meeting Minutes

APPROVED

Location of Meeting:

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2300 Evergreen Park Drive
Olympia, WA 98502
(360) 943-4000

Date and Time of Meeting

Friday, January 9, 2015
9:30 a.m.

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

Commissioners

- ✓ Chris Stearns, Chair
- ✓ Bud Sizemore, Vice-Chair
Kelsey Gray, PhD.
- ✓ Julia Patterson
Ed Troyer

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

Chris Stearns, Commission Chair

Chairman Chris Stearns called the Gambling Commission meeting to order at 9:37 a.m. at the Red Lion Hotel Olympia and introduced the members present.

Director Trujillo explained the presentation had to do with looking at topics for future funding. This presentation in the next two months really is similar if we were creating an entirely new fee structure. In today's environment it would look different. Our plan is to spend the next three

months looking at this. Assistant Director Tina Griffin will talk about how the Commission fee structure got here today. What it looks like today and what should it look like in the future.

License Fees in Today's Environment Part I *presented by Assistant Director Tina Griffin.*

Tina Griffin, Assistant Director explained legislative declaration and structure and where we are now. License levels and the fees paid in relation to the taxes. We will take a look at the current fee schedule and then ask for public comment.

In February if there are any follow up items we will address those and also look at how other states fund their regulation. We will go through a quick analysis of the revenue, and a brief overview of what we bring in for each activity.

In March we will go over any comments from February and then go over how to change our fee structure for the future environment.

Keep in mind we are basically trying to get to this question. If we were to create a new fee structure, what would it look like today?

RCW 9.46.070(5) is from the original language in 1973. The words in black are original and the blue is what was added in 1975. In 1975 the language was amended for applicants to withdraw their license if they know their application would be recommended for denial or if they were licensed in another state and know that their license would be denied. This section of law was set in 1973.

AD Griffin gave a couple of examples of the cost for licensing and investigation.

Chair Stearns asked about licensing.

AD Griffin explained about post licensing investigations for current licensees. Staff really focuses on a case by case basis. Our objectives are always the same but it is the size of the transaction.

AD Griffin explained about license stamps and administration which helps us identify equipment licensed in the state.

AD Griffin explained the Original Fee Schedule from 1973 created a state with a license class structure. The 1973 schedule already had 25 fees in it, so we started with 25 fees. Bingo had 7 license classes based on net receipts. Punchboard/pull-tab (PBPT) did not have a license class and they paid a flat fee of \$125, manufactures only paid \$2500.

Slides 18 to 23 will outline the original fee structure. As we added classes the fees changed. Card rooms were added in 1974 and those classes remain the same today, which are based on the classes and the types of games to be played. In 1976 we added Commercial Amusement Games, and in 1977 we added Fund Raiser events.

Commissioner Patterson asked about the factors of gross receipts and the length of the event.

Director Trujillo explained it was a “per table per house banked card room” structured fee. **AD Griffin** explained card rooms are based on the class of the licensee, if they are going to collect a fee and how to collect and the games to be played and the number of tables.

Chair Stearns asked had there ever been anything based on the number of facilities?

AD Griffin said, yes once we got into fund raising events.

In 1981 we added renewal fees for CRE and Repts of \$50 for CRE and \$75 for Repts.

In 1983 – 1985 we slowly started to change for each activity from net receipts to gross receipts.

This was a big thing for the Punch board/pill-tab licensees.

In 1983-85 Bingo license classes change from net to gross receipts.

In 1985 distributor classes also changed. In 1986-87 we added the 6 month payment plan.

Comments from licensee in the audience. (inaudible)

AD Griffin further explained, in 1989 amusement games changed based on gross receipts. Manufacturers added more classes and went from a flat fee to six classes, and at this time everyone was on a class structure. **Director Trujillo** added that Washington was the only place for gambling in the PNW, but at the time it made sense. Licensees may expand on that in their comments.

AD Griffin went on to explain in 1989 a “one-time variance” was added for PBPT licensees. Between 1991 and 1993 we started the Fund Raising Equipment Distributor license.

Chair Stearns asked about legislative changes.

AD Griffin said that she would look into it.

Chair Stearns mentioned that in the 1970’s a lot of changes were taking place.

Director Trujillo commented that in 1973-74 reports that the activities in 1973 were bingo, PBPT, raffles and amusement games, and card rooms came later.

Administrator Amy Hunter explained that some of these things were related to legislation for example Bingo operators being able to operate seven days a week, etc.

AD Griffin explained about combination licenses, which allows non-profit entities to operate under one license, with three different license classes, which is based on gross receipts. In 1995 we added Special Sales Permits and Combination license fees. Service Suppliers were added in 1997. Legislation was enacted in 1997 to allow House Banked Card Rooms (HBCR) to come on board. There are a number of activities for Service Supplier license. In 1997 PBPT Service Businesses license were added.

AD Harris explained the license for service suppliers.

Staff also added the pilot program for Card rooms and Key Card Room Employees, and in 1998-99 staff added the variance for Bingo licensees.

Chair Stearns asked about annual fees.

AD Griffin explained that in 1999 we added linked bingo operators. In 2002 through legislation we added shared Bingo facilities. Through legislation they were able to operate seven days a week. With that staff anticipated more gambling activity to occur.

In 2009 there was legislation on Raffle Ticket increase from \$25 to \$100.

AD Griffin then showed the current fee structure. Some changes are through legislative and all fees are based on gross receipts now. The Commission currently has 194 different fees as of today. **AD Griffin** also explained how the fees break down for the different classes.

Chair Stearns asked about how the fees were collected in card rooms. **AD Griffin** explained about class-D card rooms, which lets players play without collecting a fee.

Commissioner Patterson asked how many games are available. **AD Griffin** explained there were 125 different games and those are listed on our website.

Chair Stearns asked why the Commission does not license the actual owners.

AD Griffin explained that we do not separate the owner from the business.

Chair Stearns commented on qualifying the business, rather than the owners.

AD Griffin explained we do not offer temporary licenses; we used to do conditional licenses.

Member of the audience asked what if you want to do different card games in the card room.

AD Griffin explained about License Fee Upgrades.

Chair Stearns asked about downgrading a license class. **AD Griffin** explained downgrades in the middle of the year were not permissible.

Commissioner Patterson asked what the actual fee was that is collected. **AD Griffin** explained it was for enforcement and why we ask for the additional fee, which goes to offset the cost that we incur, for handling the money, data entry, and processing the license. It was a good question because it leads into a new example, when certain fees are established the Commission is limited though initiative 601 and 602.

Director Trujillo responded, because of the 601-02 limitations in fees, these particular fees were not raised for years. There were percentage limitations placed on state government on how much staff could raise fees. **Assistant Attorney General Callie Castillo** explained those were no longer in place.

Comments from the public “Why would you not look for ways to get the license, we could submit our payment, print the license, and hang it on the wall.” **AD Griffin** explained that all of

this can be done through the WSGC website and the “My Account” feature, which was presented yesterday. It is a win-win for both sides.

Director Trujillo explained about the staffing levels and we have been utilizing technology because of our decrease in staff and to make things more efficient.

Commissioner Sizemore made clear that as we go through this, and part of why we are doing this, we are trying to create awareness with licensees. Keep those comments and we will go over those. Make sure that we get those comments so we can discuss.

Director Trujillo commented that staff appreciates participation from the public.

AD Griffin went on to explain about Exceeding Class Fees.

Commissioner Patterson asked about the process.

Director Trujillo commented that staff was open to suggestions and changes.

AD Griffin went over the fees for Identification Stamps and wager fees, how many were sold in FY13.

Chair Stearns called for a 15 minute break at 10:50 a.m. Break ended at 11:05a.m.

Director Trujillo announced that Commissioner Troyer was on his way. Commissioner Patterson needs to leave at noon. Commissioner Gray could not be present today.

Chair Stearns called for public comment. There were none.

Assistant Director Mark Harris went on to explain about Quality Control Fees.

Director Trujillo stated at 11:37 a.m. that Commissioner Troyer would not be able to make it to the meeting.

AD Griffin explained about the Fees for Game and Equipment Review. In FY13 staff processed 22 proprietary game and 9 equipment reviews. In FY12 staff processed 30 proprietary games and 11 equipment reviews.

Chair Stearns asked about the game review from Las Vegas that was discussed last year.

Director Trujillo stated that the game never made it to our state.

Ms. Janas from the audience asked about Electronic Pull-tab equipment. **AD Griffin** stated we do not currently have any that are being tested.

AD Griffin went on to explain the Manufacturing Audit Costs, cost reimbursement, and that

those are conducted every 3 to 5 years.

The next section showed Gross Receipts and License Levels broken out by Fiscal Year, Dollars and Licensees. **AD Griffin** explained about the 82% significant drop in the state.

Clyde Bock commented that there is not a lot of comparable data from state to state.

Mary Magnuson commented that she has data going back to 1996. She can provide that data if needed. She stated that generally bingo has been going down, but she has not seen such a dramatic drop as in WA State.

Director Trujillo explained that there are other states offering gambling and instead of people coming down from Canada or up from Oregon, we have seen a decline because they no longer drive those distances to come and play in Washington.

Chair Stearns asked if other states have seen such a rapid decline.

Diane Janas commented that people will travel down to Oregon to play electronic games and buy alcohol.

AD Griffin explained more about the nonprofit PBPT license fees and the increase in fees from 1996 to 2014. Raffles are one of the few slides you will see an increase. This did not include the enhanced raffle. A majority have gone into the higher class levels.

Chair Stearns asked about the decrease in house banked card rooms.

Victor Mena commented that in 2005 legislation abolished smoking in WA and this affected the card rooms. Over time it is the industry opinion there is a shift in product. Card players versus those who play electronic games and only 7 percent of the population pay card games and 65 percent will play an electronic TLS system.

Ms. Janas commented that the regulatory rules were too much to keep a card room open.

Monty Harmon with Evergreen Gaming added that the city of Tacoma also closed card rooms and the tax rate of 23 percent and the increase in minimum wage also were contributing factors.

Commissioner Patterson left the meeting at 12:05 p.m.

Director Trujillo asked for a 5 minute break at 12:07 p.m.

Chair Stearns called the meeting back to order at 12:13 p.m. stating that since we only have 2 commissioners left he would stop the presentation and call for public comment.

Other Business/General Discussion/Comments from the Public

Victor Mena, WA Gold Casinos, commented on the PBPT discussion and said it is a very complex class. He stated that his organization could be brought up on administrative charges. If we exceed the class we should just pay the fee and move forward. If the licensee doesn't pay then he has to cease business. It is a legitimate point. There were questions about using My Account and filing reports and possibly having problems with PBPT tracking, and lesser operators being able to track their receipts.

Janice Carter, Charlie's downtown Puyallup, explained her frustration, and said she dropped her class because of the refund problem. She expressed her frustration and that December was probably the busiest part of the year and she has no control over whether she is exceeding her class or not. She used an analogy of the stock market ups and downs.

Chair Stearns asked Ms. Carter if she had a sense that some operators were thinking the same way. Ms. Carter said that she thought others might be frustrated as well. It is not worth keeping the games open if you do not know how much you are either going to make or not and why pay the extra. The uncertainty is very hard because you don't want to lose players.

Chair Stearns asked why? **Ms. Carter** said that she does have some big gamblers and if they go on vacation she could lose \$500 a day.

Commissioner Sizemore asked if she were able to renew it at a different part of the year. **Ms. Carter** said that she did not think it mattered what time of year they have to pay. Ms. Carter also commented that the class sizes might be too big.

Clyde Bock, Imperial Bingo, commented that when the fee structure was enacted it was mainly bingo and pull-tabs. It would be interesting to go through the reports to make sure the new games that come in are paying their fair share. Let's not forget there is a major gambling function that pays nothing into this and that is the Lottery.

Victor Mena added that when someone says there is a \$20,000 spike, that is gross sales, and the property only takes in about 25 percent of that sale which equals \$5000. But operators had to pay taxes on the \$20,000 and not the \$3000 they may have netted. He wanted to clarify volume and not net receipts.

Victor Mena stated other states lump taxes and fees together. Somehow the numbers wash out the same and it depends on how the money is allocated.

Diane Janas, Pioneer Tavern in Long Beach, commented that she was from the second poorest county in the state. She wanted Commissioners to understand where they are coming from, and she pulls games if she thinks she will lose money and not have to pay the class fee.

Other Business/General Discussion/Comments from the Public

Ms. Tryna Norberg, LLC Manager, Hawks Prairie Casino, commented on the percentage she

has to pay in Lacey for local city taxes. While she appreciates law enforcement, Hawks Prairie has its own security.

Chair Stearns asked about private security.

Director Trujillo commented it was is required by WAC.

Chair Stearns asked who much they can charge.

Ms. Norberg replied 20 percent.

Director Trujillo commented that in other states the taxes go into the general fund.

Chair Stearns replied that in New Jersey it was 16 percent. It is a factor and we do have to take into account our fees in regard to others fees. As a regulatory agency it helps if we have the big picture.

AD Griffin explained that the focus was on license fees and the ones that we regulate. We are really only looking at the activity of our licensees and not statewide.

Commissioner Sizemore stated that Legislature deemed this agency keep gambling legal and honest and things have changed over the last 40 years since that mandate was created. Here's gambling and the licensees are going to pay so the agency can regulate authorized activity. The factors over municipal and county government we do not have any control over. There are opportunities for licensees to talk to legislature over the next 4 months. He would be happy to hear reports back on the progress of those who talk to legislators.

Ms. Norberg said she appreciated the information.

Director Trujillo commented that there are WACs for security and AD Harris has been working on the regulatory reform. Some of the public issues do lie in the security realm.

Dolores Chiechi thanked Commissioner Sizemore and commented on the RCW and reporting to the Governor. She said she appreciated the presentation and going over the fees and as we go over this and hear from licensees and how they are struggling, perhaps there is a move in our purview to go to legislature to make recommendations to help those numbers peak back up. She stated Recreational Gaming Association (RGA) looked forward to presenting back in March.

Chair Stearns pointed out that staff have asked and gone over the gambling study in WA, which is expensive, and the Governor has shot it down. Perhaps the legislature can
The industry as a whole will be going through some major changes in the next 10 years. We have that duty to keep them up to date and stay on top of.

Ms. Janas commented that the employee cost and nonsmoking cost and regulatory cost on liquor, if you look at Oregon, our customers are all heading down there.
There has to be someone to pull together in this state. We want to run a clean business.

Ian Abel, McCoy's Tavern, commented that he was curious about the shift from paper product

to electronic. He thinks it was a negative campaign and poorly defined. It is an archaic system with paper. I don't want to get off the subject of fees, but I hope we are still thinking about this concept of electronics, and we have people sitting on your telephone and playing card games in cyber space. Mr. Abel commented about the square foot allowance, only one per 1500 sq. feet. He wanted to make sure that the broader subject was creating revenue in the state, move forward and be progressive.

Ms. Amy Hunter said staff has a report on the different bills that have been submitted over the years. She would be happy to forward.

Dolores Chiechi commented on Initiative 892, which has to do with an initiative to have the same games as Tribal casinos, but it was shot down. 2004 The Red Dot Campaign, and 6.7 million was spent to defeat, with negative campaigns, and we could not compete. It took 6 months to get the signatures and spent 0.5M to get those signatures.

Monty Harmon commented that he appreciated commissioners attending G2E and seeing the new card games. It is hard to have chips and electronic cards, and if electronics can help modernize, that would be great. I think there is room for expanding.

Ms. Janas commented if we could get gambling back up in the state we would not have the raise fees.

Commissioner Sizemore said his emphasis over the last few months had been spent evaluating the 194 license fees. Creating additional revenue that sustains itself over the next 20 – 30 years, and looking at the growth of gambling, certainly it exists within legislature. As a regulatory agency are cognizant of the area. The function of this exercise is whether we will put or stamp of approval on a new fee structure.

Chair Stearns commented that the current commission is very active and engaged. We are looking at further discussions later this year on where gambling is headed in the future. That is a discussion that we want to have, and where does Washington fit in the big picture.

Clyde Bock commented that he wanted to applaud the Commission. Developing the logic to where it is fair and equitable will help us all.

Member of the public asked why there was a separate license for nonprofit and profit.

AD Griffin explained that from the history the Commission has over the last 40 years, she would take a look to see why there was a different structure between profit and nonprofit.

Chair Stearns explained the definition of a non-profit.

AD Griffin added the difference and the statutory definition between profit and nonprofit.

AD Griffin said it would reduce 22 fees for profit and nonprofit.

Mr. Ken Koski, Bob's Tavern in Shelton, said there does not need to be 22 classes.

Clyde Bock said basically the philosophy of the commission was to pay what was there.

Why should the nonprofits pay the same rate? Ignore the use of the funds.

Why there is a discrepancy, you are paying for what you have the commission do. Historically

Pull tabs came into the state as nonprofit only.

The tax has to do with the city and not the Commission.

Other Business/General Discussion/Comments from the Public

There were no further comments.

Adjourn

Chair Stearns adjourned the meeting at 1:00 p.m.