

Commission Meeting Minutes

APPROVED

Location of Meeting:

Spokane Convention Center
334 W. Spokane Falls Blvd
Spokane, WA 99201
(509) 279-7000

Date and Time of Meeting

Thursday, September 10, 2015
9:00 a.m.

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

Commissioners

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

Ex Officio Members

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

Staff

David Trujillo, Director
Amy B. Hunter, Deputy Director
Tina Griffin, Assistant Director – Licensing Operations
Mark Harris, Agent in Charge – Field Operations
Julie Lies, Tribal Liaison
Matt Kernutt, Assistant Attorney General
Michelle Rancour, Acting Executive Assistant

Welcome

Chris Stearns, Commission Chair

Chair Stearns called the meeting to order at 9:10am and introduced the members present.

Strategic Discussion

Facilitated by Commissioner Kelsey Gray, PhD.

- a) The Strategic Discussion will relate to the Commission's responsibilities and policy considerations. No other business will be conducted.
- b) Goal – Provide an opportunity for Commissioners to talk with each other and staff about important issues facing the Commission and identify topics for future discussions.

Commissioner Gray facilitated the discussion. She asked all participants (Commissioners, staff and public attendees) to write their responses to these questions on sticky notes:

Question #1:

What are the key issues for the future?

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Of those issues, what ones should we address in the next year?

Question #2:

How do we increase our involvement with the legislature? What steps should we take to increase their confidence?

The statute gives the Commission the authority to make recommendations to the legislature. Should the Commission be making recommendations?

Question #3:

How can the Commission be more effective and efficient? (Ex: My Account)

Question #4:

How can we enhance our relationships with our clientele (tribal parties, licensees, public)? These are the entities who fund us.

After the various responses were posted, Commissioners, staff and Senator Conway formed four small groups. Each group was asked to identify:

- Key Topics
- Concrete Recommendations
- Steps to implement the recommendation

Then the groups reported back on these questions.

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The statute gives the Commission the authority to make recommendations to the legislature. Should the Commission be making recommendations?

Question #3: How can the Commission be more effective & efficient? (Example: My Account)

Question #4: How can we enhance our relationships with our clientele (tribal parties, licensees, public)?

Responses were tallied and entered into a separate report for the Commissioners. If you would like a copy, please contact Michelle Rancour, Acting Executive Assistant, michelle.rancour@wsgc.wa.gov. She will be happy to send it to you.

Executive Session to Discuss Pending Investigations, Tribal Negotiations, and Litigation – Working Lunch (12:00 p.m. – 1:30 p.m.)

Chair Stearns excused everyone for lunch break and called for executive session at 12:03p.m, and called the public meeting back to order at 1:40p.m.

Chairman Ron W. Allen, Indian Gaming in the 21st Century

Chairman Ron W. Allen, Chair of Jamestown S’Klallam Tribe and CEO presented on Indian Gaming in the 21st Century.

Chairman Allen gave a brief history on his accolades.

- On Tribal Council for 40 years, been chair for 38 years
- National Congress of Indians for 22 years.
- Co-author of Centennial Accord. The Accord really helped change what was previously a very contentious relationship. Chair Allen stated he considers Washington to be one of the most progressive states.

He indicated there were basically three sections to his presentation:

Complex Regulatory System Protects Public

Indian Gaming Regulatory Association (IGRA) is at the center – the legal foundation of Indian Gaming.

Tribe and NIGC Compacts

Tribal Gaming Agency (TGA)

Many Tribes didn’t have a regulatory body until IGRA was established in 1988.

The Tribes and State have a unique government-to-government relationship.

Chairman Allen explained the Compacts govern Class III only. The Compacts give the state a role it would not otherwise have in regulation of gaming on tribal lands.

The TGA is a regulatory agency, separate from the Gaming Operations.

The Gambling Commission has limited jurisdiction. Chair Allen believes the state’s role should shrink as tribes gain more expertise in regulation, out of respect for tribal sovereignty and as the state becomes more sophisticated in its audit procedures.

The Tribe wants to have integrity of games. If there is any mischief, they want to deal with it.

The TGA and Gambling Commission are very relevant as we look at government-to-government relationship.

Chairman Allen listed the basic tenets:

Each party respects the sovereignty of the other.

Work collaboratively, without imposing unnecessary duplication.

Maintain open and respectful communication, with the understanding that each Tribe will have different protocols. A fundamental understanding that two governments, working cooperatively, to protect the public and benefit citizens.

Tribal gaming has 25 years of experience now. We’ve grown together with the state.

Gaming Revenue is Re-Invested in Tribal and Local Communities.

Governmental Gaming – Indian gaming, like state gaming (ex: lottery) is conducted to generate revenue for public and governmental purposes. Indian gaming is different than commercial gaming. Used for essential governmental services: government administration, public safety, cultural preservation, natural resources, etc.

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Chairman Allen showed some video clips about education, different industries (like construction), Skokomish Water Treatment facility. He also shared statistics about number of jobs and money going back into the community because of tribal gambling. He also talked about the importance of building trust.

Chair Stearns thanked Chairman Allen for his presentation and asked if there were any questions.

Commissioner Patterson asked some questions about problem gambling, how to work together on this issue.

Chairman Allen responded, great question and a challenging one. He did not however, think money was well used by DSHS. The Tribes want to dedicate to their own community, and most have their own behavioral programs. Get more people who self-bar than who they bar. People beat the system after they self-bar.

They spend money on Evergreen Council on Problem Gambling.

Chairman Allen suggested it would be of value to put together some type of task force – experienced managers.

Usually they have caused a serious problem.

Commissioner Patterson asked “Would you be willing to sit down and look at this?” General population is coming into these casinos.

Chairman Allen responded he certainly could put it on WIGA’s next meeting agenda.

Chair Stearns asked following our discussion about how to better engage? Any ideas?

Chairman Allen responded “Get to our meetings. We’d love to have you come and walk through our properties, so it raises your confidence. That would help.” Chair Allen also suggested the need to have those conversations about future gambling, which he heard about this morning.

Chair Stearns thanked Chairman Allen.

License Fees in Today’s Environment (Recap of Prior Presentations) *presented by Assistant Director, Tina Griffin*

The purpose of this discussion was to re-engage the Commissioners and public on the various license fee presentations AD Griffin made at the beginning of the year (all of those PowerPoints are posted on our website). The question the Commissioners and staff were addressing was: "If the Commission were to create the license fee structure today, what would it be?"

Three members of public addressed the Commission:

Victor Mena, Washington Gold - some discussion back and forth with Vice-Chair Sizemore. **Vice-Chair Sizemore** asked whether paying quarterly would be desirable. **Mr. Mena** said he thought it would be very reasonable to smaller operators.

Monty Harmon - Pull-tabs are antiquated. Comm. needs to have a strong regulatory arm & be a strong regulator. A two-part payment plan might need to be evaluated. It might be easier to go back to one payment per year. If change to quarterly, will this increase staff's work?

Cameron Baker - Looking at 5-10% edge. 90% are doing fine. When retired, 83% of licensees were filing reports on line. Might be less likely to report if switch to quarterly because now they'll have to pay each quarter, in addition to filing reports.

Vice-Chair Sizemore said he thinks business people could switch to a simpler system, even though there might be some discomfort to make a change.

Chair Stearns said he agrees, thinks it would be a wise thing to do, and he looks forward to getting more information, so pros and cons can be weighed.

- PUBLIC MEETING -

Approval of Minutes – August 13, 2015 Commission Meeting

Held over to October meeting.

Other Business/General Discussion/Comments from the Public

Chair Stearns adjourned the meeting and immediately called for Executive Session at 3:15pm, which was expected to last one hour.

Adjourn

Chair Stearns adjourned the meeting at 4:03p.m.

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

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Matt Kernutt, Assistant Attorney General
Michelle Rancour, Acting Executive Assistant

Informal Study Group Session

9:00 a.m. – 9:30 a.m. – Charitable/Nonprofit and Commercial Operators Study Session

- PUBLIC MEETING -

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

Welcome presented by Chris Stearns, Commission Chair

Chair Stearns asked for a moment of silence in remembrance of 9/11 and also for those who have died fighting the recent wildfires. **Vice-Chair Sizemore** said he was on duty the morning of 9/11 (Vice-Chair Sizemore is a fire fighter).

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

Director Trujillo highlighted a couple of news articles about fantasy sports (FS). Kansas recently classified fantasy sports as skill, after the AG & agency disagreed on whether FS were skill or chance. In Michigan, the AG hasn't weighed in on whether FS are skill or chance. The gambling regulatory agency has said it's gambling (chance). Several major operators have pulled out of the state based on this.

Summary of Criminal Cases *presented by Mark Harris & Gary Drumheller, Agents-in-Charge*

This was a joint presentation by Agents-in-Charge Mark Harris and Gary Drumheller on the various criminal cases worked in the past few years. In 2014, staff investigated 282 cases with theft representing 33 percent of the cases. AIC Drumheller showed short surveillance video clips and media reports of various cases, including a cloned credit card case, pawn shop structuring case, and a cockfighting case, debit card fraud case and others. The presentation was very well received by the Commissioners and we will likely have an annual report to the Commissioners on the various criminal cases worked by our agents.

- ADMINISTRATIVE PROCEDURE ACT PROCEEDINGS -

Rule Up for Further Discussion

Petition from Bally, Licensed Manufacturer: Connecting card game progressive jackpots within a card room. *Presented by Agent-In-Charge Mark Harris*

Filed 5/26/2015 as a Pre-Proposal Statement of Inquiry (CR-101) under WSR #15-12-031. Proposed Rule Making (CR-102) under WSR #15-17-105 with a published date of 8/5/18/2015.

- Amended Section: WAC 230-15-685 Restrictions on progressive jackpots.

This petition was filed for further discussion at the August Commission meeting. The petitioner is requesting that a house-banked card room be allowed to connect progressive jackpots from multiple tables within their own card room. The jackpots could be from different card games. The games must have the same probability of winning the jackpot prize and have the same winning hands. Currently, progressive jackpots can only be connected for the same card game. The petitioner uses the example of poker based games such as Let it Ride, Mississippi Stud, and Ultimate Texas Hold'em. All are poker based games with progressive jackpots. Even though the underlying game is played differently the odds of obtaining a 5-card royal flush to win the progressive jackpot is the same since they are all played with a single 52 card deck.

Representatives from Bally's attended the meeting, as they weren't able to attend last month's meeting when the rule was up for filing. Vice-Chair Sizemore had several questions about whether the restriction on having the games be from the same manufacturer was needed. Victor Mena, Washington Gold COO, said they saw the games being played at G2E in Las Vegas last year and it worked great; the same games were linked between pits. Players understood it.

Spokane Youth Sports Association Program Review *presented by Special Agent Bill McGregor.*

SA McGregor explained Spokane Youth Sports Program In 2014 SYSA had bingo gross receipts of \$3.2 million, which was up 6 percent from 2013; punchboard and pull-tab gross receipts were \$720,000, which was actually a decrease of 7 percent from 2013. However their net income from gambling operations was approximately \$130,000, which was up 82 percent from 2013. They also had \$150,000 of non-gambling revenue.

There were no violations reported and no risk factors. Staff recommends the continued licensure of Spokane Youth Sports Association.

Commissioner Gray moved that the Spokane Youth Sports Association be certified.

Vice Chair Sizemore seconded the motion.

Motion Approved 4:0.

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

AD Griffin explained pages 1-18 were up for approval.

Vice Chair Sizemore moved to approve.

Commissioner Gray seconded.

Approved 4:0.

Staff also recommends approval of Snoqualmie Class III Certifications

Commissioner Gray moved to approve the gaming licenses for Snoqualmie.

Commissioner Troyer seconded.

Approved 3:0 with one not voting.

Default *presented by Deputy Director, Amy Hunter*

- a) Eric Bowman, Card Room Employee, 30-day Suspension

Deputy Director Amy Hunter explained the default order was for a card room employee who was working in security. And he allowed two minors to gamble. Staff recommends suspension of the Eric Bowman's card room employee license for 30 days.

Commissioner Gray: I'll move that we suspend Eric Bowman's license for 30 days.

Vice Chair Sizemore seconded the motion.

Approved 4:0.

- PUBLIC MEETING -

House Banked Card Room Summary of Activity *presented by Assistant Director Tina Griffin*

This was the annual report to the Commissioners based on financial statements from HBCR's; this was for the Fiscal Year end 2014. Compared to 2013, industry is improving:

- 35 (71%) had positive net income.
- 14 had net losses compared to 21 in 2013.
- Range of net income up from a high of \$2.6 m. in 2013 to \$4.2 m. in 2014.

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Chair Stearns asked if there were any comments.

Victor Mena, Washington Gold, stepped up to answer the question about commercial card room net win. Mr. Mena stated the reality is that as I look at revenues across the nation, Washington is doing similar revenue numbers in terms of the industry overall. It is up in volume of dollars. So there's more spend occurring in a lot of properties that are existing, especially in established and mature markets, but not expanding. What the licensees are seeing across the country nationally is that there are four jurisdictions, roughly, that are down in volume. Those are areas that are affected by competitive market increases, more product proliferating the area. In areas where the product is consistent, where the casino numbers haven't grown, the machine counts, or table game counts, haven't grown, revenues are up.

Chair Stearns thanked Mr. Mena for his detailed explanation.

Special Olympics Enhanced Raffle Results *presented by Assistant Director, Tina Griffin*

Assistant Director Tina Griffin reported Special Olympics' 2015 raffle grossed \$2.9 m. with a net income of \$790,000; 23,433 tickets were sold. In addition, the Commission approved the format of the report, as staff is required (by law) to update the legislature on enhanced raffles by December 2016. The legislation allowing enhanced raffles expires in June 2017. This means the legislature will need to remove the "sunset clause" for enhanced raffles to occur beyond then.

Other Business/General Discussion/Comments from the Public

Victor Mena, Washington Gold commented they have 9 properties. They are seeing more play, but not new players. HBCR's are still \$70 million from when they peaked. Mr. Mena said he sees two big factors affecting them in the future: Affordable Care Act and minimum wage increase. If minimum wage were increased by \$2.50, it will cost each HBCR approximately \$25,000 per month; if that happens, he predicts we will see another consolidation of the industry.

Monty Harmon, President of Harmon Consulting handed out additional rule proposals that were discussed at study session. He plans on working on the proposal more between now and the October Commission meeting. These additional rules would allow "enhanced table games." They saw similar games at G2E last year.

Dolores Chiechi, Executive Director, Recreational Gaming Association, thanked Commissioners for the Strategic Issues session on Thursday. She expressed their gratitude for being included in the discussion, and said it was "truly legendary."

Executive Session (None needed)

Adjourn

Chair Stearns adjourned the meeting at 1:42p.m.