

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 14, 2016
1:00 p.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 Brandon Vick

Staff

David Trujillo, Director
Amy Hunter, Deputy Director
Tina Griffin, Assistant Director – Licensing Regulation and Enforcement
Julie Lies, Tribal Liaison – Tribal & Technical Gambling
Matthew Kernutt, Assistant Attorney General
Michelle Rancour, Executive Assistant
Susan Newer, Public Information Officer

- PUBLIC MEETING -

Welcome

Bud Sizemore, Commission Vice Chair

Vice Chairman Bud Sizemore called the Gambling Commission meeting to order at 1:05 p.m. at the Red Lion Hotel Olympia and introduced the members present.

A phone-in feature was offered and two people phoned in. About 60 people were in the audience.

- ADMINISTRATIVE PROCEDURE ACT PROCEEDINGS -

Rules Up For Discussion and Possible Filing

Group 12 Amusement Games

Presented by Tina Griffin, Assistant Director

Assistant Director Tina Griffin explained the Group 12 Amusement Game rules that were up for discussion and possible filing. Four Group 12 Amusement Games have been approved. Amusement game licensees reported that there are 204 games in state at 80 licensed locations, the most games at one location is eight. Seven of these 80 locations are card rooms.

Vice Chair Sizemore asked if the games were in commercial locations or nonprofit. Staff responded this was not something staff had tracked specifically. The rules were broken into three packages. Below are the three rules packages.

Group 12 Amusement Games Package 1

Presented by Tina Griffin, Assistant Director

Filed 10/29/2015 as a Pre-Proposal Statement of Inquiry (CR-101) under WSR #15-22-054

- Amended Section: WAC 230-03-185 Applying for a manufacturer license.
- Amended Section: WAC 230-03-190 Applying for a distributor license.
- Amended Section: WAC 230-05-030 Fees for other businesses.
- Amended Section: WAC 230-06-110 Buying, selling, or transferring gambling equipment.
- Amended Section: WAC 230-13-010 Approval of new amusement games.
- Amended Section: WAC 230-13-135 Maximum wagers and prize limitations at certain amusement game locations.
- Amended Section: WAC 230-13-160 Basing rent on a percentage of gross receipts.

Assistant Director Tina Griffin explained these changes are proposed by staff in conjunction with operators & stakeholders. Commissioner asked where we came up with \$250 for stamp. How can we justify cost? AD Griffin said staff would get the numbers and report back.

Group 12 Amusement Games Package 2

Presented by Tina Griffin, Assistant Director

Filed 10/29/2015 as a Pre-Proposal Statement of Inquiry (CR-101) under WSR #15-22-054

- Amended Section: WAC 23-13-080 Operating coin or token activated amusement games.

Assistant Director Tina Griffin explained this rule was to limit the maximum number of games allowed. Commercial licensees get 10 and nonprofit get 20 machines. This would be available to any charitable nonprofit. These changes were suggested by licensees & stakeholders during comment period.

The state of Georgia was mentioned in the summary as having these games: **AD Griffin** will report back if Georgia has other gambling. If not, this may be why there are so many machines.

Commissioner Patterson commented she was not sure we need to limit the number of games; other amusement games are not limited.

Group 12 Amusement Games Package 3

Presented by Tina Griffin, Assistant Director

Filed 10/29/2015 as a Pre-Proposal Statement of Inquiry (CR-101) under WSR #15-22-054

- Amended Section: WAC 230-13-005 Amusement games authorized.
- Amended Section: WAC 230-13-130 Display and exchange of amusement game prizes.
- Repealed Section: WAC 230-13-140 Price to play amusement games must be paid in cash or check.

Assistant Director Tina Griffin explained package three has policy decisions broken into two Options, A or B – All or Nothing. Here are some of the policy decisions under discussion:

- a) Gift cards

- b) Replay of tokens
- c) Additional plays as prizes
- d) Allowing pull-tabs/gambling as prizes
- e) Defining merchandise prizes
- f) Codify current practice to allow ticket/tokens to be put on a card
- g) Charities would need to get a license for group 12 games.
 - > Why? Unique group. A way to know where games are.
- h) Repeal 230-13-140 in both options. Contradictory language with 13-005(4), moves some language from 140 to 005, keep tokens/tickets for attended amusement games.

AD Griffin gave several handouts to the Commissioners so they would be familiar with what items were under discussion. Handouts included photos of Group 12 amusement games, gift certificate and token cards. AD Griffin also showed the Commissioners the Game Works gift card as an example. **Commissioner Patterson** requested the items that make Group 12 different from other groups be outlined. She identified a few: limiting the number of machines, use winnings to gamble, must be 21 and older. **AD Griffin** replied that package 1 and 2 impact just Group 12. Package 3 would impact all amusement games.

Vice Chair Sizemore opened the floor for questions and comments.

- PUBLIC MEETING -

Public comment (Names of persons & businesses have been double checked!)

14 people testified in support of Group 12 Games:

Jim Marsh, Hart Novelty & Amusement. Operating since 1988. Serves on trade board. Meets with operators from other states. Washington has most comprehensive redemption rules in the nation. It also creates barriers to entry, which is good, it keeps unsavory business practices out of state. Would choose Option B. would stimulate business. Supports limits on machines. Limiting rationale was to keep as commercial stimulant. Too many machines will change dynamics. He was in Georgia and there are a large number of machines. Over 21 crowd need less guidance on replay of credits.

Mike Barton, Triple H Amusement, Tacoma. 47 years in industry. Operating redemption machines since the '80's. Keep things the way it is. Controlling merchandise inventory is challenging. Establishments don't have room to display merchandise and secure items. Has one machine that's doing very well at the Road House, The operator has seen a 20% increase in pull-tab sales, crowd stayed longer. They are using gift certificates and cashing some out.

Kevin Morse, Grover Gaming, Banilla Games. Mr. Morse called in on the phone. Georgia Lottery regulates these games. Operators can give any lottery product as a prize. If the location is not a lottery retailer, operator can purchase instant tickets to give as prizes. Kevin said the games are skill based amusement games, not gambling. If used improperly, can be considered gambling. In Georgia, they are not allowed to pay out cash. Why limit number of machines? Can

be helpful to business, but don't intend for people to open a new business with just the machines, a skill parlor. Not smart for market or people. Can be used as a low key addition to a business.

Richard Illian, Apogee Pub & Restaurant. Has a machine at his business. Business increased 8% in November and 17% in December 2015.

Monty Harmon, Harmon Consulting. 48 locations up for approval this month, there were 2 last year. Appreciates the \$250 ID stamp cost to help fund agency.

Josh Herschlip, GM of Buzz Inn, 13 locations. Prefers option B. However, doesn't like modifications to gift cards. Needs gift cards. Has not given out merchandise, has paid out about \$8,000 in winnings. Needs replay. Allows cashing out of gift cards, prefers money is spent. Gift card is the merchandise prize.

Marv Galante, Music Vend, licensee since 1987. Locations looking for revenue. Prefers Option B with modification.

Rich LeMieux, He didn't think people would want these games; however, they do. People can choose how they spend the gift cards. Likes Option B, give consumer a choice. Would like to replay. He has 122 employees, 5 million revenue a year, works with 27 vendors, pays over \$400K in gambling tax to city. Trying to survive, need new revenues. Not gambling machines, don't pay out cash. Gift certificate ok.

Gary Rouse, RJB Amusement Services, Seattle. After seeing the machine, he applied for a license, which is up for approval today. Runs arcade for 21 and over. Darts, pool, juke box. Provides a tool for small businesses. Supports Option B.

Gordon Rickky, Brother Don's Bremerton. He has a small business. Has had a game for 2 months. Has seen increase with pull-tab sales and food/drink. Keeps people in the business.

Ralph Carlson, Digital Music systems. 21 and over taverns. Supports Option B.

Len Libin, Evergreen Gaming. Industry needs help.

David Beck, Wizards. You can see prize on the machine every time.

Pat Tompkins said the machines reveal if the next play will be a winner or not.

Two people testified against Group 12 Games:

Dallas Burnett, Assistant Director Muckleshoot Gaming Commission.

We should rescind two approval letters as they violate WAC. Violate RCW that requires strict regulatory control.

Violates 13-067 re: viewing prize. Player can only see value of single play. No way to improve play over time. Violate WAC 230-13-100. Option B: Violates 9.46.201 of merchandise and

requires legislative action. Does not return the same thing of value. 9.46.0241. **Commissioner Patterson** asked for clarification on the definition of gambling device. She said these are not gambling devices and asked **AAG Matt Kernutt** for clarification. AAG Kernutt responded he would think about it and get back to her.

M.J. Durkin, representing Muckleshoot Tribe. These games are gambling.

Vice Chair Sizemore called for a motion.

Commissioner Gray moved to file all the rules.

Commissioner Patterson seconded.

Approved 3:0

Vice Chair Sizemore called for public comment. No one stepped forward.

Other Business/General Discussion/Comments from the Public

Vice Chair Sizemore asked if there were any further comments, there were none.

Adjourn

Vice Chair Sizemore adjourned the meeting at 2:53 p.m.

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

Friday, January 15, 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
Amy Hunter, Deputy Director
Tina Griffin, Assistant Director – Licensing Regulation and Enforcement
Julie Lies, Tribal Liaison – Tribal and Technical Gambling
Matthew Kernutt, Assistant Attorney General
Michelle Rancour, Executive Assistant
Susan Newer, Public Information Officer

- 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 9:00 a.m. at the Red Lion Hotel Olympia and introduced the members present.

Director's Report

Presented by Director David Trujillo

Director Trujillo shared that Rick Sweeney retired from the Board of Accountancy.

Regulatory Unit PowerPoint Presentation

Special Agents' Joshua Stueckle, Sonja Dolson, and Karen Rea gave an excellent overview of the Regulatory Unit, including how long agents have been with the agency, their education, military experience, the various types of cases they investigate and much more.

Commissioner Patterson said she didn't think people really know about the important

regulatory and law enforcement work staff do and the benefit they bring to Washington citizens.

Tribal Community Contributions PowerPoint Presentation

Agent in Charge Cathy Harvey described Tribal contributions and the benefits these funds bring to communities. The Commissioners asked if staff could track the benefits these contributions actually bring to communities, evidence based research. For example, how has problem gambling decreased with the resources made available by these contributions? Staff said we would look into this. AIC Harvey also shared 0.13% of Class III funds go to problem gambling and there were \$24million in contributions over the last two years.

M.J. Durkin, Muckleshoot Tribe, spoke of the contributions the Muckleshoot tribe makes.

Cameron Baker, talked about a problem gambling training he attended years ago.

Maureen Greeley, Evergreen Council on Problem Gambling, spoke about the training Evergreen provides, funds used for treatment, options for client range from counseling to residential treatment and that there is a high relapse rate for problem gamblers.

Global Gaming Expo (G2E) PowerPoint Presentation

Administrator Tom Means, Agent-in-Charge Jennifer LaMont, and Administrator Paul Dasaro gave an interesting presentation about the technology they saw at G2E and how it helps them prepare for future changes and trends. Paul Dasaro said he saw a trend toward a social element in the slot machines with game play activity being reported on social media in real time. **Chair Stearns** shared his own PowerPoint slides from G2E.

Legislative Update

Presented by Managing Attorney & Legislative Liaison Brian Considine

Legislative Liaison Brian Considine gave a comprehensive legislative overview. The Commissioners chose not to take a position on any pending legislation and said that any action/position on fantasy sports needs to be taken by legislators, not the Commissioners.

New Licenses and Class III Employees

Assistant Director Tina Griffin explained there are currently 48 house-banked card rooms. 85 new amusement game licensees are up for approval, an increase of 8.9%. Commissioners asked if they could not approve new Group 12 Amusement Game licensees. AAG Kernutt advised there were no grounds in the WAC for this.

Vice Chair Sizemore made the motion to approve.

Commissioner Gray second.

Motion Approved 4:0

Snoqualmie

Commissioner Gray made the motion to approve the Snoqualmie Class III certifications.

Commissioner Patterson second.

Motion Approved 3:0

Senator Conway arrived at 12:05p.m.

Approval of Minutes – October 9 and November 12, 2015 Commission Meetings

Vice Chair Sizemore moved to approve.
Commissioner Patterson second.
Motion approved. 4:0

Executive Session to Discuss Pending Investigations, Tribal Negotiations and Litigation
Chair Stearns announced there would be an executive session immediately following the meeting. **Chair Stearns called for executive session at 12:17p.m.** He excused the audience and announced the session would last approximately one and a half hours.

Other Business/General Discussion/Comments from the Public
There were no further comments.

Adjourn
Chair Stearns adjourned the meeting at 1:30 p.m.