

Commission Meeting Minutes

APPROVED

Location of Meeting:

Red Lion Hotel
2525 20th Avenue NE
Pasco, WA 99201
(509) 547-0701

Date and Time of Meeting

Thursday, May 12, 2016
12:00 p.m. Commission Meeting

✓ **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, Acting Executive Assistant
Julie Anderson, Executive Assistant
Brian Considine, Managing Attorney & Legislative Liaison

- PUBLIC MEETING -

Welcome

Chris Stearns, Commission Chair

Chairman Chris Stearns called the Gambling Commission meeting to order at 12:00 p.m. at the Red Lion Hotel in Pasco and introduced the members present.

Chair Stearns announced there would be an executive session to discuss pending investigations, tribal negotiations and litigation. **Chair Stearns called for executive session at 12:00 p.m.** He announced the session would last approximately one and a half hours and excused the audience.

The meeting was called back to order at approximately 1:30pm. About 60 people were in the audience. In addition, a phone in feature was offered.

Recognition

Chris Stearns, Chair

Director Trujillo welcomed new executive assistant Julie Anderson. He also recognized Michelle Rancour for her outstanding help over the last few years as acting executive assistant.

Update from Problem Gambling Conference

Chair Stearns & Commissioner Patterson

Commissioner Julia Patterson gave a report on the Focus on the Future Western Regional conference on problem gambling awareness, which she and Chair Stearns recently attended. This year's keynote speaker was Mark Griffins from Nottingham Trent University in England.

Chair Stearns noted that one of the panels at the conference was about how e-sports is affecting more young people.

Commissioner Patterson spoke in favor of attending the Four Directions Problem Gambling conference. Last year, the conference was in Vancouver BC Canada; in 2016 it will be hosted by the Suquamish Tribe.

Director's Report: **Director Trujillo** reported leadership was still working on our headquarters office move.

- ADMINISTRATIVE PROCEDURE ACT PROCEEDINGS -

Rule Up for Final Action

Assistant Director Tina Griffin gave Commissioners' an update on Group 12 amusement games. Total of approximately 385 located in the state. Agents visited the sites on May 4, 5, and 6 to verify compliance with the prize and wager limits, which went into effect April 30. ID Stamps will be phased in the middle of the year.

Group 12 Amusement Games – Repealer

- Repealed Section: WAC 230-13-067 Electronic puzzle and pattern solving game standards.

Commissioners voted **not** to repeal WAC 230-13-067 authorizing Group 12 Amusement Games; this was a unanimous vote.

Vice-Chair Sizemore made a motion not to repeal the Group 12 Amusement Games.

Commissioner Gray seconded the motion.

Motion Approved 5:0.

Rules Up for Discussion

Assistant Director Griffin explained the next set of Group 12 rules were up for discussion only.

Group 12 Amusement Games – Requiring Notice to Players

- Amended Section: WAC 230-13-067 Group 12 Electronic puzzle and pattern solving game standards.

Assistant Director Tina Griffin explained the rule was for signage to display “This is not a slot

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machine” and would be prominently displayed on the screen or near the machines. Licensees would develop the sticker themselves and post it to the amusement game or the information could be displayed on the screen. Rules to be brought back to the July meeting for final action.

Group 12 Amusement Games – Reporting, Recordkeeping and Non-transferability of Tokens

- Amended Section: WAC 230-13-075 Assigning and reporting group numbers of authorized amusement games.
- Amended Section: WAC 230-13-170 Recordkeeping for commercial amusement games.
- Amended Section: WAC 230-07-125 Recordkeeping requirements for lower volume charitable or nonprofit organizations.
- Amended Section: WAC 230-13-005 Amusement games authorized.

Assistant Director Griffin explained this set of rules would do three things; 1) reporting requirements for thirty (30) day notice of any installations and removal of equipment, 2) recordkeeping component where gross receipts for group 12 would be reported separately, and 3) not allow tokens that are dispensed from a group 12 amusement games to be transferred to such things as a player tracking card system or a customer rewards system.

Group 12 Amusement Games – Licensing

- 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 230-06-110 Buying, selling, or transferring gambling equipment.
- New Section: WAC 230-06-112 Buying, selling, renting and leasing amusement games.

Assistant Director Tina Griffin explained these rules will clearly define what can be done as a manufacturer, as a distributor, and what activity class A and B licensed amusement games can do. Rules to be brought back at the July meeting for discussion.

Chair Stearns called for public comment on the three sets of group 12 rules up for discussion. Three people spoke in opposition of the rule changes for licensing group 12 amusement games; Jay Gerow, Amusement Distributors of Washington (ADOW), Pat Tompkins, Sound Amusements, and Joan Mell, Attorney for ADOW.

Rules Up for Discussion and Possible Filing

Other Rules up for Discussion and Possible Filing (taken out of order)

Staff Demonstration – Poker Wagering demonstration presented by Bill McGregor, Special Agent.

AD Griffin explained the Texas Hold'em Poker Pilot Program, which increased the single wager limit for Texas Hold'em only to \$100. From 1974 to 2007 wagering limits for other card games went from \$2 to \$40 and that portion of the rule still stands today.

Petition from Theresa Malphrus – Poker Wagering

- WAC 230-15-080 Authorized fees and authorized methods of collection.

- WAC 230-15-135 Wagering Limits for nonhouse-banked card games.

Requesting the following rule changes:

- Increase the maximum amount of a single wager on any authorized poker game, not just Texas Hold ‘Em, from \$40 to \$100 at Class F and house-banked cardrooms; and
- Allow Class F and house-banked cardrooms to assess players of nonhouse-banked card games a rake fee of up to 10% of the pot with no limit. Currently, the rake cannot be more than \$5 per hand or 10% of the total wagers for a hand, whichever is less.

Theresa Malphrus explained the rake and player supported jackpot. One of the reasons for the request for rule changes was in anticipation of the minimum wage labor increases in November. Filed for further discussion.

Vice-Chair Sizemore made a motion to file for further discussion.

Commissioner Patterson seconded the motion.

Motion Approved 5:0

Petition from George Teeny – Poker Wagering

- WAC 230-15-135 Wagering Limits for nonhouse-banked card games.

Assistant Director Tina Griffin explained Mr. Teeny is requesting increased wagering limits for non-house-banked card games, such as poker. Specifically, the proposed change would:

- Increase the maximum amount of a single wager on any authorized poker game, not just Texas Hold ‘Em, from \$40 to \$100 at a Class F card rooms; and
- Increase the maximum amount of a single wager on any authorized poker game, not just Texas Hold ‘Em, played at house-banked card room licensees to \$300, the same limits as those for house-banked card games.

George Teeny explained his petition had some cross-over with Ms. Malphrus petitions, but he was asking to consider an approval of increasing the wager limit to \$300 in house-banked rooms only. He said his rationale was the similarities between the house-banked rooms and the poker rooms after speaking to his RGA partners. He explained the play of the game and betting scenarios. He wants to create the no limit atmosphere for these smaller games.

Ian Riley, Black Pearl, Spokane, spoke in favor of the \$300 poker wagering limit, and the ability to offer a more exciting game to those willing to play. **Ms. Malphrus** also spoke in favor of the increased poker wagering limit.

Commissioner Troyer made the motion to file for further discussion.

Commissioner Gray seconded the motion.

Motion Approved 4:1.

Commissioner Patterson voted nay.

Vice-Chair Sizemore said he would feel better about making decisions if he could see the play in action with the wagering limits being proposed. A discussion ensued about holding the second day of the July Commission meeting as a special poker demonstration day. Victor Mena offered his venue, Silver Dollar in SeaTac to hold the meeting.

Petition from Recreational Gaming Association

- WAC 230-15-025 Hours of play.
- WAC 230-06-030 Restrictions and conditions for gambling promotions.
- WAC 230-06-031 Using wheels in promotional contests of chance, fund-raising events, or gambling activities – Promotional Contests of Chance (PCOC)

Requesting the following rule changes:

Hours of Play (WAC 230-15-025): The proposed change would allow house-banked card rooms to be open 24 hours a day, seven days a week. Currently, house-banked card rooms can be open 24 hours a day, five days a week. On the remaining two days, they must be closed for a four hour period.

Promotions (WAC 230-06-030): The proposed change would allow operators to offer gambling promotions that:

- Allow entry based on disclosed criteria;
- Offer lottery tickets as a prize;
- Add additional merchandise or cash prizes to licensed gambling activities;
- Allow licensed manufacturers, distributors, and service suppliers to give licensees cash or merchandise to offer as a prize;
- Allow card rooms to use a physical drawing, spinning a wheel or selection from a group of concealed items to award a prize;
- Are not reviewed or approved by us when offered as outlined in the rule.

When offering gambling promotions, operators (1) must offer to all patrons of their establishments, (2) cannot use second elements of chance (spinning wheels, drawings, etc.) except for bingo operators and (3) cannot offer lottery tickets as prizes.

Use of wheels in promotions (WAC 230-06-031): The proposed change would allow card room licensees to use spinning wheels in conjunction with promotions they offer to customers. Currently, card room licensees cannot use spinning wheels in conjunction with promotions.

Assistant Director Tina Griffin explained the reasons for the rules petition request from Recreational Gaming Association. Dolores Chichi and Victor Mena both spoke in favor of the rule changes.

Vice-Chair Sizemore made a motion to file for further discussion.

Commissioner Gray seconded the motion.

Motion Approved 5:0.

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

Assistant Director Tina Griffin noted there were currently 50 house-banked card rooms operating. Ms. Griffin presented the licensees for approval on page 1 through 16.

Vice Chair Sizemore moved to approve the Class III gaming employees.

Commissioner Gray seconded

Approved 5:0.

Snoqualmie Class III Certifications

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Commissioner Patterson moved to approve.
Commissioner Gray seconded
Approved 4:0. (Chair Stearns abstained from voting.)

Defaults *presented by Brian Considine, Managing Attorney*

This month we had four defaults. Managing Attorney Brian Considine explained each case. Staff recommended license revocation on all four defaults. **Each default approved 5:0.**

- PUBLIC MEETING -

Presentation – Fee Restructure Discussion *presented by Deputy Director Amy Hunter*

DD Amy Hunter presented to the Commissioners. The current fee structure was created in 1973. Vice-Chair Sizemore has led the efforts to have staff ask the same question with our fee structure as we asked with the agency restructure: If the fee structure were created today, what would be the best structure? Two options were given to either simplify the current existing fee structure (Option A) or to create a new fee structure (Option B). DD Hunter explained both systems would be a change, both would require outreach to stakeholders and both would require rule changes. Staff recommends Option B with stakeholder outreach this summer and a report back at the October Commission meeting. Three people testified: Cameron Baker, Victor Mena & Monty Harmon.

Vice Chair Sizemore moved staff explore Option B and reach out to stakeholders.

Commissioner Gray seconded.

Approved: 5:0.

Approval of Minutes – March 2016 Commission Meetings – Held to July.

Nomination and Election of Chair & Vice-Chair - Effective July 1, 2016 to June 30, 2017

Chair Stearns thanked the Commissioners and staff, and opened the floor for nominations for Chair. **Commissioner Patterson** nominated Vice Chair Sizemore as Commission Chair for the term expiring on June 30, 2017. **Commissioner Gray** seconded the nomination. Approved.

Chair Stearns asked if there was a motion to nominate a Commissioner for the vice-chair position. **Commissioner Sizemore** nominated Commissioner Patterson as Commission Vice-Chair for the term expiring on June 30, 2017. **Commissioner Gray** seconded the nomination. Approved.

Other Business/General Discussion/Comments from the Public

Four people testified: Jesse Stiltner read part of a letter from Amusement Distributors of Washington (ADOW) regarding the recent amendments and enforcement activities imposed. The letter was entered into the record. Pat Tompkins, Sound Amusements, stated he reluctantly supports the statement from ADOW. He was looking forward to working with the commission and staff, unfortunately with the recent amendments it has turned into something that is not economically viable for his company. Ralph Carlson, Digital Music Systems, said he was in agreement with Mr. Tompkins regarding the economic impact. Jay Gerow, ZDI Gaming, stated he was in support of the letter from ADOW.

Chair Stearns adjourned the meeting at 5:42pm