



STATE OF WASHINGTON
GAMBLING COMMISSION

"Protect the Public by Ensuring that Gambling is Legal and Honest"

August Gambling Commission Meeting Minutes

Hampton Inn and Suites

4301 Martin Way E.

Olympia, WA 98516

Public Meeting

August 8, 2019

Commissioners Present:

Bud Sizemore, Chair

Julia Patterson, Vice Chair

Chris Stearns

Ed Troyer

Alicia Levy

Ex Officio Members Present:

Senator Steve Conway

Staff Present:

David Trujillo, Executive Director; Tina Griffin, Assistant Director; Brian Considine, Legal and Legislative Manager; Julie Lies, Tribal Liaison; Heather Songer, Public Information Officer; Julie Anderson, Executive Assistant; and Suzanne Becker, Assistant Attorney General.

Public Meeting Call to Order

Chair Bud Sizemore called the Gambling Commission meeting to order at 9:11 a.m. and welcomed everyone to the Hampton Inn. He asked for a moment of silence to recognize law enforcement officers who were lost in the line of duty since we last met.

There were 62 people in attendance.

Director Trujillo recognized Special Agent Mark Harris for his 25 years of service to the State of Washington and the Gambling Commission. The commissioners and staff joined Mark and his family for a photo to commemorate the occasion.

Tab 1

Commissioner Patterson moved to approve the consent agenda as presented by staff.

Commissioner Levy seconded the motion.

The motion was passed 5:0

Commissioner Patterson moved to approve the Class III certifications for the Snoqualmie and Cowlitz Tribes.

Commissioner Levy seconded the motion.

The motion was passed 4:0

Commissioner Stearns abstained from the vote.

Tab 2

Petition for Review Andrew Williams

Assistant Attorney General Kellen Wright represented the Washington State Gambling Commission and Andrew Williams represented himself. Commissioners heard oral arguments from both sides. Chair Sizemore and commissioners went into a closed session to discuss the case.

Following the closed session, **Chair Sizemore announced** that the Commission denied the Gambling Commission staff's petition for review. The Commission affirmed the administrative law judge's (ALJ) previously entered order, including a one year suspension of Mr. Williams's license. The Commission adopted the ALJ's order as the Commission's Final Order.

Tab 3

National Rifle Association Foundation

Agent in Charge (AIC) Jim Nicks presented the materials for the tab. AIC Nicks was joined by National Rifle Association Foundation (NRAF) Regional Director Brad Kruger Field Representative Mike Herrera. NRAF is requesting to exceed the \$300,000 annual limit on raffle prizes. The NRAF submitted previous requests to exceed this limit in 2018 and early 2019.

Commissioner Patterson asked if the NRAF can show, without a shadow of a doubt, that the money being raised in Washington State goes to charitable purposes and is not in any way used for the NRA's political gain. She stated that if they could confirm those claims, she would be in favor of this increase. **Commissioner Troyer** asked if any of the money raised here in Washington State was sent to the national organization level. NRAF representative answered affirmed that funds do go to the national organization. Commissioner Troyer also asked if the money raised in Washington ever made it to a political action committee. The NRAF representative answered no. At this time, **Chair Sizemore** asked for public comment.

Sheri Sawyer, policy advisor to Governor Jay Inslee, testified that there are state laws and regulations around firearms, particularly around the sale and transfer of firearms, and that the Commission has specific regulations about awarding, firearms as a prize in a raffle or an auction. She stated that, on behalf of Governor Inslee, their request is that the Commission, at this time, delay any action on this particular agenda item until there is 100% assurance that all state regulations and laws are being followed in this regard.

Commissioner Troyer asked if the tickets purchased at a NRAF raffle could be purchased by the general public or if the individual has to be a NRAF member.

Members of the audience:

Mr. Trask, policy and advocacy director at the Alliance for Gun Responsibility in Washington, thanked the Commission for letting him express his concerns about the NRA investigation that is ongoing in New York State. He urged the Commission to deny the request.

Mr. Waits, a former Marine, expressed his concerns with the NRAF's nationwide spending habits and urged the Commission to vote no.

Ms. Reeves, a sophomore at a local college, also expressed her concerns about raising the raffle limits for the NRAF, and asked the Commission to deny the request.

During the comment period and commissioner discussion, several concerns were raised regarding accusations that the NRA and NRAF have been co-mingling monies to fund NRA activities that may be prohibited by the NRAF's tax exempt status requirements. Commissioners discussed their desire to ensure that monies raised through raffles in Washington State were being used appropriately and for the NRAF to show where the money goes was after it's raised in Washington.

Commissioner Patterson moved that the Gambling Commission verify that the awarding of firearms in NRA Foundation raffles for at least the previous license year complies with all applicable state laws and regulations and verify that the funds raised from Washington State raffles used solely by NRA Foundation for purposes consistent with the nonprofit status and not for political purposes. Commissioner Troyer moved to add accounting of all funds transferred to the national NRA Foundation from Washington state raffles.

Commissioner Levy seconded the motion.

After some discussion, the motion passed unanimously 5:0 [and an order memorializing the motion would be forthcoming].

Tab 4

Perry Technical Foundation

Special Agent Supervisor (SAS) Bill McGregor presented the material for this tab. SAS McGregor was joined by Perry Technical Institute's (PTI) president Christine Cote, and the director, Tressa Shockley. **Ms. Cote** thanked the commissioners for their consideration to allow PTI to raffle off a house. The house is estimated to cost \$300,000 and PTI would like approval in case the value exceeds \$300,000. **Ms. Shockley** introduced Darren Peters, who is the overseer of the home's construction.

PTI is a new licensee and is seeking approval to offer a raffle prize in excess of \$40,000. They are also seeking approval to exceed the \$300,000 annual raffle limit.

Chair Sizemore asked if PTI is a for-profit business. **Ms. Shockley** informed the Chair that PTI is a non-profit organization. PTI has approximately 800 students and 13 training programs. Its post-graduation employment rate is 94%.

SAS Bill McGregor said staff recommended the Commission approve PTI's request to offer a raffle prize in excess of \$40,000 and to exceed the annual raffle prize limit of \$300,000 for its license year ending June 30, 2021.

Commissioner Levy moved to approve PTI's request to offer a raffle prize in excess of \$40,000 and to exceed the annual raffle prize limit of \$300,000 for its license year ending June 30, 2021.

Commissioner Troyer seconded the motion.

The motion was passed unanimously. 5:0

Tab 5

Rocky Mountain Elk Foundation

Rules Coordinator Ashlie Laydon presented the material for this tab. She informed the commissioners that the Rocky Mountain Elk Foundation withdrew its petition for consideration at this meeting and may re-file at a later time.

Tab 6

Defaults

Legal and Legislative Manager (LLM) Brian Considine presented the material for this tab.

Jocelyn Baker, Class III Certification Revocation.

Chair Sizemore asked if Ms. Baker was in the audience. She was not.

Commissioner Levy moved to revoke the Class III certification as presented by staff.

Commissioner Troyer seconded the motion.

The motion passed unanimously.

At 11:15 am, **Chair Sizemore** announced that the commissioners would be going into Executive Session for the purpose of discussing pending criminal investigations, tribal negotiation and litigation. The public meeting was expected to reconvene at 1:15 p.m.

Executive Session ended at 12:55 p.m. The commissioners took a small break before reconvening the meeting at 1:20 p.m.

Chair Sizemore welcomed everyone back to the meeting.

Tab 7

2020 Agency Request Legislation

LLM Considine presented the materials for this tab. Considine reviewed recommended topics that were discussed at the July commission meeting and asked Commissioner Patterson if she had any questions since she could not attend the July meeting. Considine reviewed the three topics the commissioners voted to move forward to the August meeting: (1) General Fund appropriation for the agency's criminal law enforcement functions; (2) Amending RCW 9.46.0209 to ensure inclusion of certain additional charitable nonprofit organizations that may not be qualified under current law; (3) Making changes to the money laundering forfeiture statute. Considine announced that staff had discussions with Chair Sizemore regarding the agency asking for general fund support for law enforcement activities. During those discussions, staff and the Chair agreed to table this request until 2021. This will allow staff and commissioners to talk with legislators and stakeholders about our future revenue needs during the supplemental budget process in 2020 and put the agency in a more advantageous position in making this request for 2021, if needed. **Chair Sizemore** concurred with this summary and the commissioners agreed to table the general fund request for the 2020 session.

LLM Considine then reviewed the remaining two agency request legislation proposals. The commissioners reviewed amendments to the bona fide charitable or nonprofit definition (RCW 9.46.0209) that would allow certain charities to be authorized to receive a gambling license. Seattle University was given as an example of an organization that appears to be prohibited under the statute unless there is a change. Also, an amendment to the statute is made to clarify the agency's ability to issue licenses to credit unions for members-only raffles.

Next, the commissioners reviewed an amendment to the money laundering forfeiture statute (RCW 9A.83.030) that would authorize forfeited proceeds or property to go towards gambling-related law enforcement activities. Currently, forfeited proceeds or property can only go towards drug-related activities that are outside of the agency's jurisdiction.

LLM Considine also informed commissioners that he sent email correspondence to stakeholders informing them of the commissioners' interest and likely support for changes for trade shows and increasing pull-tab wager limits.

Commissioners discussed possible 2020 agency request legislation and approved staff to finalize agency request legislation packets for changes to the bona fide charitable or nonprofit definition in the Gambling Act, and the money laundering forfeiture statute, as previously discussed. These two proposals should be finalized at the September commission meeting for submission to the Governor's Office by the September 13, 2019 submission deadline.

Tab 8

Sports Gambling Discussion

Assistant Director (AD) Tina Griffin and LLM Considine presented the materials for this tab. **Griffin** provided a presentation on the North American Gaming Regulators Association (NAGRA) conference she and staff attended in Sacramento. NAGRA conference gave staff an opportunity to network with industry counterparts and to learn from them what their experiences have been and what's going on in the industry. Griffin spoke about regulating and wagering methods that are already being used for sports betting, and the types of devices that can be used to place wagers. She also announced that Oregon will be going live with their online wagering in mid-September. **Senator Conway** inquired about the necessity of having an online or mobile option for sports gambling and if the agency was prepared for that possibility. **LLM Considine** indicated that the agency is aware and prepared if that is something the Legislature decides it wishes to authorize. Many operators do advocate for a mobile/online option because it delivers a higher volume of business and is the trend for the industry. However, there are several states with brick and mortar only operations. LLM Considine and AD Griffin will continue to provide regular presentations to the Commission on sports gambling.

Chair Sizemore opened the meeting up for public comment on the sports betting topic.

Public Comment

Cowlitz Chairman Jerry Iyall addressed the Commission. Mr. Iyall stated that he is on the tribal council, and has several other responsibilities. He announced that he retired from the Employment Security Department as a deputy assistant commissioner. One of his many responsibilities was to manage the rules coordinator. He said he has the understanding and a respect and recognition of the value of regulatory oversight. He values and respects the regulatory oversight provided by the state and by this commission. He also stated that the Cowlitz Gaming Commission's staff has more than 300 years of regulatory experience in the gaming industry. He said, "During your deliberations on sports gambling and gaming in general, I ask that you respect and value that experience and expertise that the Cowlitz Tribe has, and also the other tribes in the gaming industry. Thank you."

Cowlitz Tribal Gaming Commission Executive Director Paul Dasaro addressed the Commission. Mr. Dasaro thanked the Commission for the opportunity to speak regarding the sports betting topic. He stated that he wasn't advocating for a particular policy or piece of legislation. As far as the regulatory aspect of the topic going forward, he asked the Commission to seek expertise of Indian gaming, especially the Cowlitz Tribe. He reiterated what Chairman Iyall said about Cowlitz Tribe having over 300 years of gaming experience. He also mentioned that staff have worked in other jurisdictions and have done regulatory work on sports betting in those jurisdictions. Due to this experience, he requested the Gambling Commission avoid imposing overly restrictive regulations, unnecessary limitations on technology, burdensome or excessively time-consuming approval and installation processes, and creating a system unique to Washington. He requested that the Commission develop standards and practices with full participation and consultation of the tribes and to be mindful of the fact that sports betting tends to be a fairly low-margin business, and overly-costly or time-consuming regulatory practices could severely hamper the development of the industry. **Commissioner Stearns** stated that under HB 1975, tribes are the sole operators and the majority of rulemaking and regulation would be agreed upon through the compacting process. He then asked Mr. Dasaro: "How do you see rules and regulations being negotiated through the compact process since that process usually requires the parties to develop standards and requirements together in negotiations?" **Mr. Dasaro** stated that he sees the compact negotiation process as the method for working out the regulatory details. His concern is to not create something similar to the current tribal lottery system, where he believes the state drives the process for an activity that doesn't exist outside of tribal lands. Therefore, he believes that the tribes should decide how they will operate sports gambling, should the tribal-only bill pass, and the State Gambling Commission should not be the main driver of any regulatory process other than negotiating the compact terms desired by the tribes.

Lastly, **LLM Considine** stated that staff will continue to tap into the agency's 45 years of regulating gambling as staff continues to develop sports gambling presentations for future meetings. He summarized what the next few months "roadmap" would look like for the September, October, and November commission meetings, and the commissioners agreed to continue to receive presentations as recommended by staff.

Tab 9

Stars Group, Inc. Petition for Declaratory Order

LLM Considine presented the materials for the tab. LLM Considine announced that The Stars Group, Inc. withdrew its petition for declaratory order.

Chair Sizemore asked for final public comment.

Senator Conway expressed his concerns on "raffle business." He said it would likely create some legislative activity.

Chair Sizemore announced that the next commission meeting will be held at the Hampton Inn and Suites on September 12 and 13, 2019.

Meeting adjourned at 2:52 p.m.