

Transcript of Testimony Opposing H.F. 1798
in Informational Hearing 4/6/16 held by
Minnesota Committee on Commerce and Regulatory Reform

Rebuttal written by Joe Richardson: joe@gamingstudio.com

This “informational hearing” was held after the deadline for bills to pass their first committee had passed, effectively preventing the bill from moving forward in 2016. The Chair of the committee of jurisdiction, Committee on Commerce and Regulatory Reform, Representative Hoppe, was a co-sponsor of H.F. 1798; however, despite assurances that he would call the bill for a hearing in time to meet the deadline he put it off. The “informational hearing” was offered as a consolation allowing us to learn why the opposition had repeatedly kept electronic paddle wheel regulatory and ticket modification bills from being heard. The transcript below was provided from committee audio, transcribed by Scripta, Ltd.

Minnesota had already authorized electronic pull tabs, bingo, paddle wheels [2012 session] and raffles. H.F. 1798 and S.F. 1738 provided regulatory context to electronic simulated paddlewheels and allowed all wagers by a player for a spin to be placed on one paper ticket rather than requiring a separate paper ticket for each individual wager. Furthermore, 1798/1738 would waive tickets for wheels used with a table where players’ wagers were otherwise recorded through electronic means. Current use of printed paper tickets for each wager is environmentally wasteful, expensive, difficult to track, audit and regulate. Tons of specially printed and secured paper tickets are logged into the state, tracked through warehouses, storage rooms and into play and then storage needlessly to be used as momentary markers for each wager. Needless because an alternative is in waiting, one that is far more environmentally friendly, easier to regulate by both the nonprofit organizations and the Gambling Control Board and one that is more economical to operate. Without tribal

opposition, this modification would have entered the market four years ago. For years now, bingo and pull tabs have been allowed without the use of paper cards or tickets in their electronic forms.

The only two parties to testify against the legislation shared an apparent lack of knowledge with regard for the game that has been in operation for thirty years – Minnesota Tri-Wheel®. They also appeared not to recognize that electronic paddlewheels are already authorized (2012 – Chapter 349.12 subp 29). Other than allowing symbols (currently only numerals can be used on a wheel), the legislation does not alter existing language with regard for styles of wheel games the Control Board may or may not approve. Roulette is no more authorized in this legislation than it was previously.

You will note in the following testimony that the tribes did not suggest they would be injured by the passage of the proposed legislation. Keeping the charities from using more efficient and secure wagering does cause injury to those charities when a solution is at hand.

Transcript from Hearing

(Red color to indicate points rebutted at the end)

John McCarthy, MIGA:

Thank you, Mr. Chairman. My name is John McCarthy. I am the Executive Director of the Minnesota Indian Gaming Association. Our Association

represents 10 of the 11 federally recognized tribes within Minnesota. These tribes are geographically located mostly in rural communities throughout the state. I am here today to address our Association's concerns regarding HF 1798, a bill requesting changes in state law that would allow [1] what we see as a complete change in the Paddle Wheel Game. [2] While we understand the intent of this bill is to help the bars and restaurants and Minnesota charities prosper, we also want them to do well, but we have to look at each and every new proposal that [3] would expand gambling in Minnesota. [4] Whenever any gambling proposal is being considered, we not only look at the proposal from its impact today, but also and more importantly, is where it could go tomorrow. [5] With the high-tech internet world we live in, a simple change to a chip turns a seemingly harmless device into a functioning slot machine. We have seen so many noncontroversial proposals that, at face, appear to make some simple changes that make the game more efficient, glitzier, better regulated and more customer friendly. While the original intent of these requests indeed may be to do all those things, the reality is that approving such proposals, [6] we are edging closer and closer to something that has been turned down by this legislature every time it has been brought up, full-blown slots in bars. From what we see at this point, this request will change the culture of the paddle wheel, [7] increase the number of electronic devices in bars, [8] increase the volume of betting at a much faster rate than the traditional paddle wheel allows, [9] create incentive for much higher wagers per bet. [10] In addition to those concerns, we have a lot of questions about the design of the game and the close proximity it appears to have with the game of roulette. We have additional

concerns regarding technical aspects of the device but I will not bore you with that today. We appreciate you holding this hearing as an informational hearing as that is what we feel is most practical at this stage. We hope that the manufacturer will be willing to meet with us over the next few months so we can educate ourselves on this proposal and draw our conclusions from a much more knowledgeable position. Mr. Chairman, members of the Committee, thank you for your time. I am happy to answer any questions I can.

John McCarthy, Minnesota Indian Gaming Association – Rebuttal

[1] “what we see as a complete change in the Paddle Wheel Game.”

Minnesota statute, Chapter 349.12, Subd 29: “A paddlewheel may be an electronic device that simulates a paddlewheel.” Enacted in 2012, electronic paddlewheels have been a reality for more than four years in statute. H.F.1798 and the senate companion S.F.1738 both attempt to modify the wagering process so that one paper ticket may contain several wager selections for any specific spin rather than requiring a paper ticket for each wager, for each spin. This will save a great deal of paper. When a table is used for registering a wager (as with the tables currently in play in which tickets are inserted in wager identifying slots) no paper ticket would be required so long as each wager is otherwise registered for each spin. Point of interest: North Dakota charitable

gaming has allowed play of paddlewheels using a table without requiring the use of paper tickets for more than 20 years. North Dakota felt the tickets were a needless added expense to organizations and regulatory officials.

Other than allowing “symbols” in addition to numbers on a wheel, the changes proposed do not usher in a large, let alone “complete” change, to those who have been regulating, operating or playing paddlewheel games in Minnesota – especially those with a table. Nothing in this legislation makes roulette more or less possible.

[2] “While we understand the intent of this bill is to help the bars and restaurants and Minnesota charities prosper”

While not a negative, the intent of the bill has never been to “help bars and restaurants” prosper. The intent is to provide a solution to the needless and very expensive and difficult to regulate problem of using a secured paper ticket to mark each wager for all wheel games. We have a better solution that they are blocking.

[3] “would expand gambling in Minnesota.”

H.F.1798/S.F.1738 does not authorize electronic paddlewheels. That was done in 2012. It provides better regulatory controls and brings less waste and greater

efficiency and accountability to the game. Electronic raffle devices passed the Minnesota legislature without any comment by tribal gaming lobbyists in 2016. They were not apparently an “expansion.” Electronic bingo and pull tabs have been authorized for years to be conducted without the use of paper cards or tickets. Why is the use of electronic paper tickets or the consolidation of several wagers on one ticket (like allowed for lottery) somehow expansive? The game exists. The electronic wheels are authorized. How is regulating a game style that is already in statute “expansion?” How is allowing an alternative method of wagering on such existing games at existing locations termed “expansion?”

[4] “Whenever any gambling proposal is being considered, we not only look at the proposal from its impact today, but also and more importantly, is where it could go tomorrow.”

This warning anticipates future legislative action. What he forecasts for tomorrow would also need legislative approval ---- tomorrow.

[5] “With the high-tech internet world we live in, a simple change to a chip turns a seemingly harmless device into a functioning slot machine.”

I think he is confusing server-based, network connected for the old e-prom (chip) controlled individual player-activated devices that tribes have operated. The proposed legislation anticipates or speaks to neither. All play must be conducted on premises approved by the Board and no spin event is activated by any player. Just to make sure he understands that you can't simply change a local chip in a server-based network connected system to make it a player-activated device, we stated exactly that in the legislative proposal for 2017.

[6] “we are edging closer and closer to something that has been turned down by this legislature every time it has been brought up, full-blown slots in bars.”

Actually the regulations provided by this legislation do not involve player-activated devices nor a one device/one player game. This specific legislation actually takes gaming the opposite direction of slots – toward a slow form of group play instead of individually activated products.

[7] “increase the number of electronic devices in bars.”

Given that no electronic wheels are currently in bars, we concede there may be more electronic and fewer mechanical gaming devices in bars after this legislation.

[8] “increase the volume of betting at a much faster rate than the traditional paddle wheel allows.”

Nothing in H.F.1798/S.F.1738 made wheel games faster. In fact, this legislation ensures slow operation of wheels not used with a table by requiring that spins can't be more frequent than once every 3 minutes. Wheels with a table have resolution or spin times of about once every couple minutes. When all players at a table need to make their wager selections prior to a spin, the wheels turn only as fast as the slowest player. Wheels are social games and not envisioned to be the 5 second resolution tribal game like slots. The legislation reduced the limit a player can wager on each spin by 40%, from \$50 (currently in rule) to \$30. In the new version \$40 limit (down 20% from today). This is nowhere near the \$1,000 per “21” hand (takes less than 60 seconds to complete) allowed in some tribal casinos. If tribes are interested in problem gaming, they should begin by reducing their limits.

[9] create incentive for much higher wagers per bet.

I don't understand this one. Limits were proposed to be even 40% lower and now 20% lower than those currently allowed. Per person per spin lowered (from \$50 to \$30 - \$40) in legislation. Their argument is baffling. Some tribal casinos,

in contrast, offer \$1,000 per hand per player limits on “21” card tables. Making an issue on bet limits is hardly in their interest.

[10] In addition to those concerns, we have a lot of questions about the design of the game and the close proximity it appears to have with the game of roulette.

While the legislation does not prescribe any particular wheel game, the pictures are often with regard to the Minnesota Tri-Wheel®, using a table, chips and tickets which has been in market for over 30 years. Other than allowing symbols with numbers, this legislation does not alter existing game styles. Roulette is no more legal with this legislation than without.

If there are questions about the design of the Tri-Wheel® legacy game or the Pig Wheel™, visit one of our Websites, including www.tri-wheel.com, www.pigwheel.com, or www.gamingstudio.com. Or, contact directly: joe@gamingstudio.com.

1986 Minnesota Tri-Wheel® game table





Below, the proposed electronic edition...



Testimony of Jake Grassel, Citizens Against Gambling Expansion:

Acting Chairman Atkins:

Thank you Mr. McCarthy. Are there questions for Mr. McCarthy at this point?

(pause) Ok. Thanks again. Mr. Grassel, welcome back.

Jake Grassel, Citizens Against Gambling Expansion:

Thank you. Jake Grassel with Citizens Against Gambling Expansion. Mr.

Chair, members of the committee, we, as well, have grave concerns about this

bill. I was speaking to somebody recently and they said I don't know why we need to re-invent the "Wheel" with this Bill. (laughter) The pun was intended on their part and I thought about that at first, and I suppose they are re-inventing the wheel in Minnesota with this, but the way I looked at it and as I did some research into this and the technology into this, we do have long-term fears on this new technology as presented to us that this is not necessarily re-inventing the wheel, but rather [1] is adopting a form and function that is occurring every day in Las Vegas, and that is on-line roulette. We do believe that [2] this is the beginning of the game of on-line roulette, [3] potentially later down the road, player-initiated in bars and we do have concerns about that. We appreciate the developer's enthusiasm for his product. He came down here, was very enthusiastic. We do have some concerns. I know one comment he made, and I don't know if it was intentional, [4] but ten cents at a time you can lose your money in a hurry and that is the fear we have on this with this technology. We, too, would be more than happy to work with him in the coming months as the legislature adjourns and perhaps we work some of this bill to alleviate our concerns going forward so we do, I know this is informational today, but we do oppose this bill in its current form.

Acting Chairman Atkins:

Thank you Mr. Grassel. Are there any questions for Mr. Grassel? Thanks again.

Jake Grassel, Citizens Against Gambling Expansion -- Rebuttal

[1] is adopting a form and function that is occurring every day in Las Vegas, and that is on-line roulette.

All games in Minnesota charitable gaming have very basic form and function similarities to those operated in Las Vegas and every other gaming jurisdiction. Bingo is played in Vegas. One could say that in form and function, at the base level, electronic pull tabs are the same as slots; however, for those of us who know gaming well, we realize they are very different games. The assertion attempts to damn by vague association. The “function” is wagering. No surprise that that function happens in Las Vegas and over forty-five states across the country.

H.F.1798/S.F.1738 does not allow roulette anymore than existing law allows Roulette. This legislation requires play at licensed gaming locations – not online.

[2] this is the beginning of the game of on-line roulette.

The connotation is that this legislation allows “internet” gaming. It doesn’t. There is no player-activated gaming and the games must be conducted by a Board licensed organization operating in an approved site. Once again, this legislation does not address types of games allowed, let alone authorize roulette.

[3] potentially later down the road, player-initiated in bars and we do have concerns about that.

That would require specific legislation. Mr. Grassel warns the legislature over what they might approve in the future.

[4] but ten cents at a time you can lose your money in a hurry and that is the fear we have on this with this technology.

Neither the wager denomination nor amount wagered per spin per person has any bearing on the speed of wager resolutions or frequency of events (spins) of the games envisioned by H.F.1798. A 10¢ chance is 1/10th the minimum of today’s game. Lower denomination chances are made possible because there is no paper ticket cost associated with each wager. Had a little research been undertaken by the opponent, he would have learned that this legislation actually

slows spin frequency for those electronic simulated wheel operated without a table while making no change to table operation from what it is now.

Furthermore, this legislation actually reduces the bet limit per spin per person by over 40% over that which is now in rule. In fact, players will be allowed to play for much less than they are under existing law.

Gaming Studio, as one manufacturer who would produce an electronic simulated gaming network, stands ready to speak with anyone over any concerns or questions they may have about this style of gaming.