

MINUTES OF THE MEETING
BUSINESS AND LABOR COMMITTEE
50TH LEGISLATIVE SESSION

The meeting of the Business and Labor Committee was called to order by Chairman Les Kitselman on April 20, 1987 at 6:00 p.m. in room 312-F of the state capitol.

ROLL CALL: Rep. Thomas, Rep. Brown, Rep. Grinde, Rep. Jones and Rep. Smith were excused, all other members were present.

HOUSE JOINT RESOLUTION 60

Rep. Strizich introduced HJR 60 which requests an interim study of the need for a state mechanism to regulate gambling and requiring a report to the 51st legislature.

Exhibit 1 is a compilation of 13 conclusions on legalized gambling and regulation of this industry.

There were no opponents or proponents to the resolution.

Rep. Strizich closed with no further comments.

EXECUTIVE ACTION - HOUSE JOINT RESOLUTION 60

Rep. Brandewie moved HJR 60 DO PASS.

A voice vote was taken and the motion PASSED.

The meeting was adjourned at 6:10 p.m.



Les Kitselman, Chairman

DAILY ROLL CALL

BUSINESS & LABOR

COMMITTEE

89th LEGISLATIVE SESSION -- 1987

Date April 20, 1987

NAME	PRESENT	ABSENT	EXCUSED
REP. LES KITSELMAN, CHAIRMAN	✓		
REP. FRED THOMAS, VICE-CHAIRMAN			✓
REP. BOB BACHINI	✓		
REP. RAY BRANDEWIE	✓		
REP. JAN BROWN			✓
REP. BEN COHEN	✓		
REP. JERRY DRISCOLL	✓		
REP. WILLIAM GLASER	✓		
REP. LARRY GRINDE			✓
REP. STELLA JEAN HANSEN	✓		
REP. TOM JONES			✓
REP. LLOYD MCCORMICK	✓		
REP. GERALD NISBET	✓		
REP. BOB PAVLOVICH	✓		
REP. BRUCE SIMON	✓		
REP. CLYDE SMITH			✓
REP. CHARLES SWYSGOOD	✓		
REP. NORM WALLIN	✓		

STANDING COMMITTEE REPORT

April 20

19 37

Mr. Speaker: We, the committee on BUSINESS AND LABOR

report HOUSE JOINT RESOLUTION NO. 60

do pass
 do not pass

be concurred in
 be not concurred in

as amended
 statement of intent attached

REP. LEE KITSSELIAN

Chairman

FIRST

WHITE

reading copy (_____)
color

CONCLUSIONS

EXHIBIT
DATE 4.20.87
HB HJR 60

1. Any government which legalizes public gambling (and there have been many throughout history), but fails to recognize its harmful capacities, and to control the games, the operators and the players, is irresponsible.

2. Public gambling operators have never shown a desire to govern themselves or their operations for the benefit of the public. Therefore, sponsoring governments must exercise controls.

3. Investigation and licensing of gambling operators is important, but *licensing alone will not provide the controls required*. This type of non-involved, flimsy, off-handed governmental involvement has not worked in Nevada or anyplace else. It will not work here:
 - (a) The primary usefulness of licensing is that it provides a procedure for preliminary investigation of the qualifications and desirability of applicants.

 - (b) Its secondary purpose is to raise revenue.

 - (c) These purposes conflict: High standards and qualifications mean less licenses will be issued and less revenue received; and vice versa.

4. A ubiquitous licensing policy is the antipathy of exercising effective control over gambling. If thousands of licenses are issued for as many different gambling games and people and places, state and local authorities will have very little chance to monitor and control gambling activities. In such a situation, law enforcement simply will not have the time, manpower or money required to enforce the law (even if it is willing to do so).
5. License fees collected will not raise significant new revenue. Meaningful sums of new money for government will only result if gambling profits are *taxed*.
6. Profitable gambling requires a lot of people doing a lot of gambling; and, therefore, Montana's gambling experiment, justified primarily for the purpose of raising new revenue for government, must be tied to tourism. Increased tourism is slow to develop (perhaps impossible during the present energy and gasoline shortage), and it causes a whole set of new problems; both civil and criminal in nature. (Any impact of people requires adjustments to our systems, as we have learned in both the ABM and coal impact areas of the state.)

MINI-SUMMARY: The Gallup poll indicated that Montana citizens are about evenly split on whether gambling would be "good" or "bad" for the state, but a majority favored gambling if it raises

new revenue, and if the problems and disruptions resulting from the gambling activity are controlled.

7. If these gambling goals are to be reached, Montana must first create laws which will support and encourage a stable gambling industry. That industry must be profitable so it can be taxed. That industry must be controlled so it is not harmful.
8. Gambling can be controlled satisfactorily, but to do so requires a tough-minded government willing to exercise its sanctions over an industry so closely controlled that its every activity is visible and above-board.
9. Any attempt to control gambling by spreading enforcement and tax collection powers among existing governmental departments is doomed to failure.
10. A new, single-purpose agency should be created to supervise the gaming industry which is totally responsible to the governor, the legislature and the people. It should be modeled after the Nevada system (discussed in Section 2, pages 24 through 32), but begun on a much smaller scale.
11. Public gambling should be confined to gambling "parlors." The number of parlors, where they are located, the types of games allowed, should be limited. Hundreds of other limitations (such

as hours of operation, maximum stakes allowed, age of players, etc.) also should be considered and applied. The licensing of gaming parlors should be commensurate with the state's ability to monitor and control them. Paternalistic treatment is necessary.

Such treatment would allow for the growth of a gambling industry in Montana which could be taxed and controlled. It would prevent the harms resulting from too much, too soon, with too little control. It could be geared to demand, to tourism and to recreation. Time factors must be available to prevent community disruption, and a "local option" provision should be incorporated in the law.

12. Control over so-called "private" gambling and over bingo and raffles should be treated separately.
13. Montana's gambling enterprise, if properly controlled, will cost money rather than make money for the state during its first 3-5 years. It will be expensive to set up effective state mechanisms *before* public gambling is permitted and *before* revenue of any kind is received. Until gambling becomes a large and profitable business, the state can expect to operate at an overall loss in this area. It is mandatory, however, that Montana create and implement its control, taxing, and licensing and inspection capabilities *before* any gambling of any kind is

unleashed. To do so later, after runaway gambling has created a demanding need for controls, will be twice as expensive and half as effective.