

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 51st LEGISLATURE - REGULAR SESSION

HOUSE COMMITTEE ON BUSINESS & ECONOMIC DEVELOPMENT

Call to Order: By Rep. Bob Pavlovich, on March 10, 1989, at 9:00 a.m.

ROLL CALL

Members Present: All with the exception of:

Members Excused: Rep. Tom Kilpatrick

Members Absent: None

Staff Present: Paul Verdon and Sue Pennington

Announcements/Discussion: None

HEARING ON HOUSE BILL 746

Presentation and Opening Statement by Sponsor:

Rep. Pavlovich, House District 70, said my bill is requested by the people in my county. In our daily advisory committee which we have had over the past 2 years, a poll was taken whether punchboards and pulltabs should be legalized. When SB 431 was introduced, I decided to introduce my bill on punchboards and pulltabs. I spoke with the attorney general and in his opinion if it is legal that is fine, as long as he can control it. There are amendments which I have passed out to you. Punchboards and pulltabs will only be in taverns, not in the corner grocery or service stations. There is a factory in Great Falls that make these boards, so this would help the state in two ways, it will bring in more revenue and help an existing business already operating in the state.

Testifying Proponents and Who They Represent:

Bob Fletcher, Chairman, Montana Tavern Association
Bob Durkee, Montana Tavern Association, Helena
Steve Wilken, Montana Tavern Association, Three Forks
Mark Trafton, Cascade County Tavern Association
Tandy Kolb, Missoula
Pius Ehli, Billings
Sid Smith, Helena
Randy Reger, GIA, Billings

Proponent Testimony:

Mr. Fletcher said that the advisory council did not take a plus or minus side on the illegal gambling activities that might come in the legislature. In the state of Washington, where some of our members went to look at the revenues and how the punchboards and pulltabs were run, they found that Washington does real well. The financial aspect is great. They have very little problems with illegal activities or the sort of crime intervention that might come into some gambling activities. The boards and tabs are regulated by the state and as a member of the gaming advisory council, I can say that we see no problems with the punchboards, if the state approves them. It looks like a nice source of income for the state, a chance for the small taverns to not get involved with a big expensive outlay in machines, equipment, or technicians. We look at it in the small tavern business as a plus because we can buy 1, 10 or any number of boards. If the tavern doesn't have the ability to move them they can get out and don't have a large outlay. It is a quick in and out situation.

Mr. Durkee said they support this bill. We look on this bill as an equalizer type of bill. The reason is that in reviewing the returns with the department of commerce, there are 52 cities that have 10 machines or less, and there are 23 counties that have 20 machines or less. A couple of counties have 1 machine. This comes about for several reasons: the people don't understand the games, are not willing to learn the games, or just may not be interested in them. This bill affords another method to utilize the bar. We certainly encourage this committee to give this bill a do pass. The revenue is rather lucrative. The revenue is collected up front, in other words, the taxes are paid before the board hits the use area. The distributor pays the tax on the board first. The state has no risk in someone not paying the tax. It is a good source of revenue.

Mr. Wilken said at the convention this past summer in Havre, the general consensus of the MTA was that we fully support this bill. Our tavern industry needs a shot in the arm. Our liquor sales have dropped drastically in some areas. A lot of our people could use this as a method of recapturing some of their lost revenue. We have some taverns that are in small areas that vendors can't justify putting machines in the establishment. This might help the small owners.

Mr. Trafton said he supports this bill. In Cascade County we have an annual payroll of 9.4 million dollars, we pay \$150,000 in license taxes, \$920,000 in machine taxes, and 1.5 million dollars in property taxes, and \$900,000 in employment taxes. Statewide liquor revenues are down 2.3 million dollars and declining. Should the attorney general's bill, SB 431, pass and become law, an additional 3 percent tax will be put on live bingo and keno. Machine licenses will double, and with the declining liquor revenues and continued taxation, this

industry needs an additional tool to keep our doors open. HB 746 will help do just this. The industry will benefit along with the state coffers. We are willing to pay the tax for the privilege of being in business. We just ask you for the necessary tools for our industry. I urge you to give a do pass to HB 746.

Mr. Kolb said he supports this bill. I have 10 keno and 5 poker machines and even though I'm diversified, I still have a very difficult time justifying the 10 employees I have. Without my wife and I doing a lot of the work, I would have a hard time making it. I think this is a very good way for the state of Montana and myself to increase revenue, therefore, I am asking you to pass this bill.

Mr. Ehli said he has 2 business in Billings and he supports this bill. I don't have a beverage license, my business is strictly gaming. I think bingo parlors should be considered for the punchboards and pulltabs.

Mr. Smith said he owns Bingo Palace and concurs with Mr. Fletcher and Mr. Wilkens in that this is a good way to raise revenue for the state of Montana. There are already 28 states that have pulltabs and punchboards. I ask you to give this bill favorable consideration.

Mr. Reger said the gaming association supports this bill 100 percent. In North Dakota this is the number one income source in the gaming industry for them. Our borders are almost covered with states and provinces that approved these games and pulltabs. If we don't approve them, they will go to North Dakota, Washington, Minnesota, up to Alberta or Saskatchewan, they have all approved these games. It is all around us and seems to be a great source of revenue.

Testifying Opponents and Who They Represent:

Mignon Waterman, Montana Association of Churches

Opponent Testimony:

Ms. Waterman said the churches oppose this bill, but support SB 431. They oppose HB 746 because of the extension of gambling in the state of Montana. We support SB 431 because it allows for statewide regulation.

Questions From Committee Members: Rep. Blotkamp asked Rep. Pavlovich to explain the amendments which he did.

Rep. Bachini asked Rep. Pavlovich what assurance do we have that the figures on the back of the boards will pay out what they say? Rep. Pavlovich said the profit on the board is not definite, it depends on when the prizes all pay out.

Rep. Simon asked Rep. Pavlovich why we should keep punchboards

in just the bars? Rep. Pavlovich said he didn't think that children should be able to go in grocery stores and have them in front of them.

Closing by Sponsor: Rep. Pavlovich said there is a license fee in the bill for distributors, manufacturers, and retailers. There is a good penalty clause also in the bill. A lot of people play punchboards and not the machines. They like them better. I have a lot of little old ladies that loved to come in my tavern and play the punchboards when I used to have them.

EXECUTIVE ACTION

DISPOSITION OF SENATE BILL 87

Motion: Rep. Bachini made the motion to reconsider SB 87.

Discussion: Steve Browning went over the amendments to the bill and what they did to the bill.

Rep. Blotkamp asked Mr. Browning if there was anything bad about this? The amendments I mean. Mr. Browning said he didn't think there was. If the child takes the car without the parent giving permission, that is auto theft, most parents don't go to the county prosecutor and say I want to prosecute my child or take him/her to court. There might be a parent do this.

Rep. Hansen asked Mr. Browning how an insurance company decided and where do they get the information to cause them to raise the premiums for a driver? Mr. Browning said that every time you get a ticket the insurance company doesn't know about it. What happens is this, if the insurance company receives an accident report they go back and check everybody on the policy, look at their driving records through the department of motor vehicles for any other violations.

Rep. Simon asked Mr. Browning if Johnny used the car with parent permission under the bill now, does it only cover the liability, is the collision and that kind of coverage there? Mr. Browning said that State Farm is writing excluded drivers, but they also have an endorsement on that policy that under it they would insure the excluded driver to the extent of the state required liability. But under the bill if it passes, that endorsement would be dropped. That driver would be excluded from driving and be excluded from coverage. Rep. Simon asked what happens if he drives with permission and what happens if he drives without permission? Mr. Browning said without permission you have coverage for all the first party insured, collision, comp, uninsured motorist, all those, would be insured just like if your car was stolen and in an accident. In terms of the liability it would not be covered

if it were stolen. But you would not be responsible. With consent, if the driver were excluded and you said he could drive, there would be no coverage.

Rep. Simon said it is necessary to provide a mechanism for people to have insurance that they can afford.

Rep. Thomas said he speaks against reconsideration. I have talked with the sponsor of the bill and Mr. Browning and I think the committee did the right thing. There are other ways to remedy this situation. The family can insure, mom, dad, and sister, and have Johnny insured on another policy or with a different company.

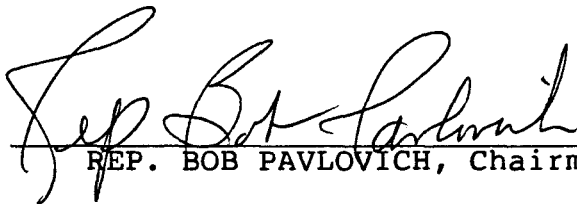
Rep. Bachini asked Rep. Thomas if the companies he represents had exclusions provided? Rep. Thomas said they did. Rep. Bachini asked Rep. Johnson if he had to pay more for his oldest daughter to have coverage? Rep. Johnson said he took all his policies to another agent and got coverage for less than his old company wanted him to pay for coverage for his family and oldest daughter.

Amendments, Discussion, and Votes: None

Recommendation and Vote: The motion to reconsider SB 87 failed in an 8-8 vote.

ADJOURNMENT

Adjournment At: 10:00 a.m.


REP. BOB PAVLOVICH, Chairman

BP/sp

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DAILY ROLL CALL
BUSINESS & ECONOMIC DEVELOPMENT COMMITTEE

51th LEGISLATIVE SESSION -- 1989

Date 3 10 89

NAME	PRESENT	ABSENT	EXCUSED
PAVLOVICH, BOB	✓		
DeMARS, GENE	✓		
BACHINI, BOB	✓		
BLOTKAMP, ROB	✓		
HANSEN, STELLA JEAN	✓		
JOHNSON, JOHN	✓		
KILPATRICK, TOM			✓
McCORMICK, LLOYD "MAC"	✓		
STEPPLER, DON	✓ *		
GLASER, BILL	✓		
KELLER, VERNON	✓		
NELSON, THOMAS	✓		
SIMON, BRUCE	✓		
SMITH, CLYDE	✓		
THOMAS, FRED	✓ late		
WALLIN, NORM	✓		
PAUL VERDON	✓		

#1
3/10/89
HB746

PULLTAB AND PUNCHBOARD REVENUE PROJECTIONS - Montana

Population (1980) - 786,000
Eligible licensees - On-sale liquor licensees
Projected no. of licensees - 1400

License fee revenue:

Operator	\$100.00	x	1400	=	\$140,000.00
Distributor	\$1,000.00	x	20	=	\$20,000.00
Manufacturer	\$2,000.00	x	10	=	\$20,000.00
Total license fee revenue					\$180,000.00

Fee revenue distribution -

To Department of Commerce (by appropriation)	\$180,000.00
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Tax revenue:	High estimate*	Low estimate**
Gross receipts -		
Per capita spending	\$112.00	\$67.00
Population	786,000	786,000
Projected gross receipts	\$88,032,000.00	\$52,662,000.00
Estimated adjusted gross	25%	25%
Projected adjusted gross	\$22,008,000.00	\$13,165,500.00
Total projected tax revenue (5%)	\$1,100,400.00	\$658,275.00

Tax revenue distribution -

To Department of Commerce (10%)	\$110,040.00	\$65,827.50
To state general fund (30%)	\$330,120.00	\$197,482.50
To cities and counties (60%) (by appropriation)	\$660,240.00	\$394,965.00

* - based on Minnesota's per capita pulltab and punchboard spending
** - based on Washington's per capita pulltab and punchboard spending

VISITORS' REGISTER

Business

COMMITTEE

BILL NO.

HB 746

DATE

3/10/89

SPONSOR

Paulovich

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
Bob Durkee	MTA HELENA	X	
Russell Eli	Butte	X	
Steve Wilken	MTA. Threr Fork	X	
MARK TRAPTON	CCTA	X	
Randy Regor	61A Blg 3 Gering	X X	
Mignon Waterman	Mt. Assoc. of Churches		X
Ray Loran	MTA	X	
Wanda Koller	Wanda's Perro Inn Msk	X	
Walter F. Jackovitch	3400 Hill Ave Butte	X	
Sid Smith	HELENA	X	
Bob Smith	MT Dept. of Justice		

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.