

**IOWA RACING & GAMING COMMISSION
LEGISLATIVE SUBCOMMITTEE MEETING
OCTOBER 17, 2001**

The Legislative Subcommittee of the Iowa Racing & Gaming Commission (IRGC) met on Wednesday, October 17, 2001 at the Best Western Midway Hotel, 3100 Dodge Street, Dubuque, Iowa. Committee members in attendance were: W. R. "Bill" Hansen, Subcommittee Chair, and Commissioner Diane Hamilton. Commissioner Mike Mahaffey was absent. Commission Chair Rita Sealock attended. Staff members present were Jack Ketterer, Administrator; Terry Hirsch, Director of Riverboat Gambling; Linda Vanderloo, Director of Racing/Administration; Karyl Jones, Director of Occupational Licensing; and Julie Herrick, Recording Secretary. The following individuals were also in attendance: Bruce Wentworth, General Manager at Dubuque Greyhound Park & Casino; Joe Massa, General Manager at Lakeside Casino Resort; Steve Roberts; Wes Ehrecke, Executive Director of Iowa Gaming Association; and Dick Thornton.

Committee Chair Hansen called the meeting to order at 5:00 PM and made the following changes to the printed agenda: delete addiction research and monitor account wagering. Committee Chair Hansen stated that he had faxed out some previously prepared documents setting forth the issues surrounding the gambling treatment program funding. One of the main problems is that 51% of the tax assessed to the licensees to fund the program is being diverted to fund other programs, resulting in a 17% cut to the program one year when demand for counseling services was up 14%. Additionally, over the past two years approximately \$3.8 million has been diverted compared with \$2.6 million over the previous 14 years. Committee Chair Hansen stated that part of the problem is that the program has been moved from department to department, and there has not been a specific structure as to how the program is to be administered. The diversions for this year were as follows: \$1.6 million for drug abuse and \$400,000 to the Soldiers' Home, with the Gambling Treatment Program getting what is left. Committee Chair Hansen voiced his opinion that it is not appropriate to establish a user tax fund and then divert funds to other uses, which leads to his belief that the Gambling Treatment Program should be moved to an autonomous agency and under the direction of a seven-member advisory board composed of four members appointed by the Governor and one each, appointed annually, by the Chair of IRGC, the Lottery Commission and the Iowa Gaming Association. It is his belief that under the above scenario, the funds would be used for their intended purpose.

Mr. Ehrecke advised that the fund contained approximately \$200,000 of carryover funds from last year, which will not be available this year. He stated that the riverboats and racetracks pay in approximately \$2.8 million, and the Lottery pays in approximately \$500,000, for a total of \$3.2 or \$3.3 million available. If the Department of Public Health needs \$1.6 for substance abuse and \$400,000 for the Soldiers' Home, that is \$2 million taken right off the top, leaving \$1.2 million for the treatment program.

Commissioner Hamilton asked how much revenue the Lottery generated, and how it compared to the gaming revenue. Committee Chair Hansen advised that it was approximately \$36 million, down from \$41 million, opposed to \$187 million generated by the gaming industry.

Ms. Vanderloo advised Committee Chair Hansen that the Lottery Commission has no interest in being involved in monitoring the gambling treatment fund. Committee Chair Hansen stated that he included them on the advisory board as they are assessed the same fee as the riverboats and racetracks.

Committee Chair Hansen stated that another reason for removing the fund from the Department of Public Health is to make it an autonomous board. He noted that everyone is unhappy with the diversion of funds, but wondered if everyone shares his feeling that the administration of the program needs to be changed. He indicated that it does not necessarily have to follow his suggestions.

Mr. Ehrecke stated that many of the Legislators have a heightened awareness regarding the effect of the diversion of funds from the IGA's activities during last year's session and are willing to take the matter before their caucuses. Full funding may not be restored; but they are cognizant of opportunities for counseling, education, outreach, and prevention awareness.

Mr. Ehrecke noted that the service providers under contract with the Department of Public Health to provide services have indicated that the \$1.6 million will be expended by next March. Ms. Vanderloo stated that the treatment providers put together a budget of approximately \$2.5 million, although it contained some "wish list" items, they were attempting to show what could be accomplished with optimum funding.

Mr. Roberts noted that problem gambling is not considered to be as big a problem as drug abuse. Mr. Ehrecke stated that Senator Tinsman, Chair of the Human Rights Committee, advised him that there is a bigger substance abuse problem than problem gambling, which is why the money is being diverted.

Committee Chair Hansen noted that in 1994, gambling taxes totaled less than \$10 million. In 2001, the gaming industry will pay approximately \$187 million in taxes to the state. He asked if anyone had a problem with the legislative proposal expressing dismay over the diversion of funds, and if it should include comments concerning the restructuring of the program.

Chair Sealock stated that she agreed with Committee Chair Hansen's legislative proposal. She indicated that she did not understand the Lottery's stance with regard to the fund. Committee Chair Hansen stated that the Lottery probably did not want any attention focused on them, as revenue generated has decreased from \$41 million to \$35 million, and they are spending \$6 million to promote the Lottery.

Chair Sealock stated that she felt it was unacceptable for the Legislature to tax the licensees, and then take the money for other purposes.

Mr. Ketterer stated that even if the funding was not restored, by raising the issue again this year, it would again broaden the awareness of the Legislature, making it more difficult for individuals to criticize the industry.

Committee Chair Hansen moved to Internet gambling, and directed everyone's attention to a copy of a letter sent to Governor Vilsack dated November 16, 2000 where he sets out the following reasons for the Commission's stance against Internet gambling:

- No impediment for age restriction
- No mechanism to impede addictive participants
- No program for problem gamblers
- No penalties for improper activity
- Thwarts Iowa's local referendum elections, which sanction gaming activity
- Particular games are not reviewed and approved by a regulatory body
- No tax revenue is collected by local or state governments
- No tax is collected by governments on capital improvements since none exists
- It creates unfair competition to established regulated gaming industries

Committee Chair Hansen noted that Congressman Leach from Iowa is heading the committee on Internet gambling, and has a point of view that is similar to the Commission's. Additionally, he noted that Mr. Ketterer had faxed a copy of a flyer from an offshore company stating that they would be at the two trade shows held in Las Vegas. Committee Chair Hansen stated that the Commission might not be able to make much progress in this area except to heighten the Legislature's awareness of the problem.

Mr. Ehrecke, noting that Internet gambling may be more of a federal issue than a state issue, suggested that the Commission send a letter in support of Congressman Leach's proposal. He pointed out that Nevada has legalized Internet gambling provided it can be regulated to prevent underage gambling.

Committee Chair Hansen stated that he spoke with a regulator from Colorado at the Gaming Expo in 2000, that indicated the State of Colorado is fining those individuals gambling over the Internet or the companies sending their signal into the state. Mr. Ketterer stated that it is difficult to regulate, noting that Internet gambling is legal in the Caribbean, and that California has passed some laws stating that it is illegal for Internet gambling company to advertise or accept wagers in the state, and is a felony violation. He was not sure how the law would be enforced. Mr. Ketterer indicated that an individual who gambles on the Internet would face a misdemeanor fine; however he did not think law enforcement would be willing to go to people's home to enforce the law. In addition, he pointed out that MGM has established a web site with some games on it, and have received an Internet gambling license in England. Mr. Ketterer predicted there

would be extensive activity in this area over the next several years. Committee Chair Hansen indicated the letter could be directed to both the federal and state level.

Committee Chair Hansen moved to the final agenda item – underage gambling. He expressed his frustration over the fact that the Commission fines the facilities a minimum of \$10,000 while the perpetrator, if he/she is prosecuted, walks away with a \$100 fine. He noted that more than once he has suggested that the individual's drivers' license be suspended for six months.

Chair Sealock asked if the underage violator is fined in every county/city in which the Commission regulates gambling, noting that Council Bluffs does charge the individual. Mr. Ketterer indicated that it was up to the County Attorney. Mr. Wentworth stated that DRA asked the City Council to adopt an ordinance establishing a fine for underage gamblers, which they did, in the amount of \$100. This applies unless they are from out-of-state.

Mr. Ehrecke asked if it was possible to suspend the individual's drivers' license. Mr. Thornton stated that one of the ways states receive their highway funds is to report violations to states from which they receive funding, as well as any actions that attach a penalty to the license.

Committee Chair Hansen asked the committee if they wished to include the penalty change as one of the recommendations to the Governor, and if so, how long the penalty should be – 3 or 6 months. Chair Sealock and Commissioner Hamilton expressed their support. Commissioner Hamilton stated that she felt the fine should be higher. Committee Chair Hansen wondered how the committee felt about a higher fine for the first offense, and suspension of the drivers' license for the second offense.

Mr. Ketterer suggested working with legislators in Nebraska and Illinois to institute legislation, which would allow those states to take action to enforce penalties assessed in Iowa, if the appropriate legislation is passed in Iowa.

It was noted that Harveys' had contemplated suing underage gamblers as a way to recoup some of the fine assessed by the Commission.

Committee Chair Hansen called for a motion regarding the underage gambling penalty change. Chair Sealock stated that she was in favor of the suggestions presented, but wanted legal counsel involved. Committee Chair Hansen, noting that a report was to be given during the Commission meeting the following day, stated that he could advise that the Legislative Subcommittee favors increasing the penalty assessed to the perpetrator, including the possibility of suspending driving privileges. He indicated that he would be attempting to set up an appointment with the Governor in November to present the Commission's legislative proposals prior to the Governor establishing his legislative proposals.

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October 17, 2001
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Hearing no further business before the Commission, Committee Chair Hansen adjourned the meeting.

MINUTES TAKEN BY:


JULIE D. HERRICK CPS



STATE OF IOWA

THOMAS J. VILSACK, GOVERNOR
SALLY J. PEDERSON, LT. GOVERNOR

RACING AND GAMING COMMISSION
JACK P. KETTERER, ADMINISTRATOR

MEETING ANNOUNCEMENT

LEGISLATIVE SUBCOMMITTEE

DATE: OCTOBER 17, 2001
TIME: 5:00 PM
LOCATION: ROOM 127 – BEST WESTERN
MIDWAY HOTEL
3100 DODGE STREET
DUBUQUE, IOWA
PHONE: 563/557-8000

PROPOSED AGENDA

1. Treatment Funding
2. ~~Addiction Research~~
3. Internet Gambling
4. ~~Monitor Account Wagering~~
5. Underage Gambling Penalty on Perpetrator
6. Other

B. Diversions From Gamblers' Treatment Fund

GAMBLERS' TREATMENT FUND DIVERSIONS

FISCAL YEAR	TOTAL REVENUE	PROGRAM EXPENDITURES	OTHER EXPENDITURES
1986	\$ 413,633	\$ 9,844	\$ 354,238(a)
1987	\$ 475,966	\$ 212,799	\$0
1988	\$ 623,540	\$ 400,429	\$0
1989	\$ 834,938	\$ 977,232	\$ 96,519(a)
1990	\$ 815,197	\$ 793,644	\$0
1991	\$ 720,000(b)	\$ 670,719	\$ 966,431
1992	\$ 384,098	\$ 348,272	\$0
1993(c)	\$ 250,000	\$ 245,272	\$0
1994	\$ 270,000	\$ 268,992	\$0
1995	\$1,404,011	\$ 775,197	\$0
1996	\$2,315,786	\$2,366,780	\$0
1997(c)	\$2,518,356	\$1,872,384	\$ 400,000(d)
1998	\$2,685,305	\$3,015,388	\$ 319,000(e)
1999	\$3,033,344	\$2,420,821	
2000	\$3,186,984 Est.	\$2,480,000 Est.	\$ 545,000 (f)
2001	\$3,882,000 (g)	\$1,984,000	\$1,898,000 (h)
2002	\$3.6	\$1.6	\$2.0 (i)

Diversions:	14 years (FY '86 - 99) Totals	\$2,136,188	15 yrs. (FY '86 - 2000)	\$2,681,188
	Last 2 years (FY 00-01)	2,443,000	2 yrs (01 + 02)	\$ 3,898,000
	GRAND TOTAL	\$4,579,188		

Last 2 yrs. - diverted almost 1 1/2 times as previous 15 years,

SPECIFIC DIVERSIONS:

- (a) Transfer to Medical Assistance Program
- (b) FY 1991 revenue for the program was limited to \$720,000. In FY 1997, the fund received \$1,318,581, including the 3% from the riverboat casinos; of the \$966,431 under Other Expenditures, \$275,000 was transferred to Juvenile Justice with the balance transferred to the General Fund.
- (c) Administrative costs moved from program to administrative section of state budget effective FY 1993. In FY 1997, administrative costs were again covered by the fund.
- (d) A one-time transfer to Substance Abuse Program Grants was authorized by the 1996 Session of the Iowa General Assembly.
- (e) Transfer to Governor's Alliance on Substance Abuse and the Dept. of Public Safety.
- (f) \$525,000 transfer for "addictive disorders" and \$20,000 for the state auditor (according to HF 737).
- (g) Estimated revenue includes approximately \$800,000 of FY 1999 temporarily impounded by the Legislature and redirected in FY 2001.
- (h) Includes \$50,000 to Childhood Lead Poisoning; \$58,000 to Childhood Fatality Review Committee; \$100,000 to Healthy & Well Kids; \$400,000 to Elderly Wellness and \$1,290,000 to Addictive Disorders (i.e. drugs, alcohol)

(i) \$1.6 to drug abuse
 .400 to Soldiers' Home

October 16, 2001

To: Members of Legislative Subcommittee/ Hamilton
From: Bill Hansen Mahaffey with c.c. to Chair Sealock

Enclosed find the following exhibits for background material.

- A. Background of Gamblers' Treatment Program / 2 pages
- B. Diversions From Gamblers' Treatment Fund / 1 page
- C. Draft of a restructured Gamblers' Treatment Commission / 2 pages
- D. 2000 Letter to Governor Vilsak / 3 pages

While Exhibit A gives you the major background on Diversion from the Treatment Fund, Exhibit D provides you with the rationale for each of our legislative planks last year. Hope this will help to facilitate our discussions tomorrow @ 5:00 PM in Dubuque

UCI-16-01 12:00 PM W.R. BILL HANSEN 010 210 0072 1102

A. Background of Gamblers' Treatment Program

W.R. Bill Hansen, Chair
IOWA RACING & GAMING COMMISSION
4220 N.W. Country Club Drive
Des Moines, Iowa 50322

January 22, 2001

The Honorable

State Capitol
Des Moines, Iowa 50319

Dear

I would like to comment on one of the most important aspects of our legislative proposals to Governor Vilsack as it has serious implications for the appropriate operation of racing & gaming in Iowa as originally set forth by legislation. That is the under-funding level of the gamblers' treatment program due to appropriation diversions.

The diversion chart enclosed (Exhibit A) reveals that during the past 14 years, from F.Y. '86-F.Y. '99, \$2.1 million was taken out of the gamblers' treatment tax revenues and expended for functions outside of the gamblers' treatment program. That diversion escalated astronomically to \$2.4 million for just the last 2 fiscal years. Worse yet, in the current fiscal year, diversions are consuming 51% of the tax collected under the guise of a gamblers' treatment program and directed elsewhere. I seriously doubt many legislators are aware of the complex process by which these funds were maneuvered away from their intended purpose.

It is tragic that treatment funding was cut by nearly 17% in FY 2000 at a time when the number utilizing the counseling services increased by 14%. The negative direction of funding was extended and exacerbated FY 2001 with a further program reduction of 20% resultant from a transfer of over 51% of the treatment tax to programs outside of the gamblers' treatment program.

Iowa's previous aggressive approach to thwart problem gambling has resulted in our 3% problem gambler rate being lower than the national average of 5%. However, as admissions continue to swell, moving beyond the 20,000,000 annual admission level, we need to be more vigilant than ever.

Even more vexing is the reality that diverting almost \$2 million in this fiscal year from the gamblers' treatment fund to service general fund obligations comes in the same fiscal year when the general fund is estimated to enjoy over a \$10 million enhancement over the prior year from the wagering tax paid by the licensees. It begs recalling that in FY '94, the general fund received only \$8.5 million from the wagering tax whereas the fiscal bureau estimates the current year should surpass \$187. million, plus another \$35 million from the lottery for a total of \$222 million. Swimming in a sea of wagering tax enhancements hardly seems cause to drown the treatment program.

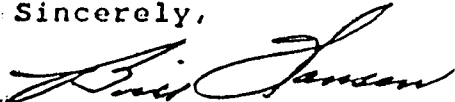
Nor is it fair to sail under the flag of a treatment fund tax, to be deposited in a special fund for gamblers' treatment program, only to find that it leaks like a sieve.

The gamblers' treatment program is not without functional and structural problems. Allocations for media expenditures need to be modified, especially when the awareness rate of the 1 + 800 hotline is acknowledged by 87% of Iowans. More quantitative analysis needs to be made of the long-term counseling impact on the individuals treated. There is a strong need for more involvement by parties knowledgeable of the program and how it works in the real world. It only seems logical to have significant input on the program by those appointed individuals charged with the implementation of the program. It is for that reason we recommend inclusion on an advisory board of one person each from the racing and gaming commissioners, the lottery commissioners, and the licensees' association group, albeit that they would only constitute a minority to serve with 4 others appointed by the governor.

The program needs to be structured on a significantly autonomous basis under an umbrella agency, with a logical relation to the program, that would be a true guardian of the trust fund monies not subject to the temptations of the syphoning tentacles that have swallowed up \$4.5 million or nearly 20% of the intended special revenue fund over the entire 16 years, which escalated to 51% last year alone.

While the program needs some new direction, you can't breathe new life into it by strangulation. The needs for its services are most real, for the reality is that gambling addiction never takes a holiday but a sound program can abate it.

Sincerely,



W.R. Bill Hansen, Chair
Iowa Racing & Gaming Commission

NOTE: Statistical data based on information from Health Dept. and Legislative Fiscal Bureau booklet, "Fiscal Facts 2000."

B. Diversions From Gamblers' Treatment Fund

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C. Draft of a restructured Gamblers' Treatment Commission

GAMBLERS' TREATMENT PROGRAM REVISION & REVIVAL

In 99D7.(21) strike in the first sentence, ~~Iowa department of public health,~~ and insert in lieu thereof, "the department of inspections and appeals."
Strike the remainder of the paragraph, "~~to incorporate information regarding-- the gambling treatment program and its toll-free telephone number in printed materials distributed by the commission. The commission may require licensees to have information available in a conspicuous place as a condition of licensure.~~" and add the following new section;

NEW SECTION: The gamblers' treatment program shall be established to provide services which may include, but are not limited to outpatient and follow-up treatment, and shall also be accessible by a toll-free telephone number displayed in printed materials distributed by the commission and the licensees, for persons affected by problem gambling. The program may also include rehabilitation and residential treatment programs, information and referral services, education and preventative services and financial management.

The treatment program's day-to-day operations shall be placed under the joint supervision of the Iowa Racing & Gaming Commission and the Iowa Lottery Commission, with an administrator appointed by the Advisory Board for the Gamblers' Treatment program. The policy directions and decisions shall be established the Gamblers' Treatment Advisory Board which shall consist of the following members;

- a) four public members appointed by the governor for a three year term, with terms staggered appropriately at the inception,
- b) 1 member of the Iowa Racing & Gaming Commission appointed annually by the chair of that commission
- c) 1 member of the Iowa Lottery Commission appointed annually by the chair of that commission
- d) 1 member Iowa Gaming Association appointed annually by the chair of this association

This Advisory board shall annually determine the appropriate allocations of funds from receipts received in the state treasurer's office from the dedicated fund resulting from the gamblers' treatment tax in 99D. ____, 99 E.10.(a) and 99F 11.(3) and shall be used exclusively for the gamblers' treatment program.

This board shall prepare an annual report to the Governor, the legislature, the Racing & Gaming Commission, and the Iowa Lottery Commission on the activity and expenditures of the program."

Amend 99 F. 11(3) strike, the words, ~~99E.10 subsection 1 a.~~
and insert in lieu thereof, "to be used exclusively for the gamblers
treatment program described in the revised 99 D.7 (21)."

Amend 99 E.10(1)a by striking the period after state, and insert in lieu
thereof the following; "to be utilized and transferred to the treatment fund
described in the revised 99 D. 7 (21) for the exclusive use of the gamblers'
treatment program described therein."

D. 2000 Letter to Governor Vilsak



THOMAS J. VILSACK
GOVERNOR

SALLY J. PEDERSON
LT. GOVERNOR

RACING AND GAMING COMMISSION
JACK P. KETTERER, ADMINISTRATOR

November 16, 2000

The Honorable Tom Vilsack
Governor of Iowa
State Capitol
Des Moines, Iowa 50319

RE: Legislative Recommendations

Dear Governor Vilsack:

In accordance with Chapter 99D.21 & 99F.14, calling for an annual report, we are at this time submitting the legislative recommendations portion of that report for your timely consideration as you frame your legislative program for 2001.

I. The Gambling Treatment Program

Background: Established initially by .3% tax on gross lottery revenue (99E.10) and a similar user fee tax on riverboats (99F.11). The funding source was expanded in 1999 to include racetracks.

Problems

A. Fiscal Diversions of Fund

This special "user fee" has been redirected to other programs over the years.

- From FY '86 to FY 2000, 15.4% of this special tax revenue went to other programs.
- Beginning with the 1999 Legislature, the diversions to non-treatment programs increased to 20.1% in FY '99 and 22% in FY 2000.
- For FY 2001, the following diversions were approved:

\$1,290,000	For addictive disorders (under Health Dept. programs)
400,000	For Elderly Wellness
100,000	For Healthy & Well Kids
<u>\$1,790,000</u>	

717 EAST COURT AVENUE - SUITE B • DES MOINES, IOWA 50309
PHONE: 515-281-7352 • FAX: 515-242-6560 • WEB SITE www3.state.ia.us/rpg/

The Honorable Tom Vilsack
November 16, 2000
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\$2,092,000 Was given to the Gamblers Treatment fund which reflects only 54% of the available resources serving the intended function for which a special .3% tax was created and is assessed, while 46% went to non-treatment programs.

B. Program Needs

- Counseling service demand in FY 2000 increased 14% (923 to 1,053)
- Calls to the 1+800 Bets Off number increased by 5%
- Demands upon the Treatment Fund are increasing while the Legislature reduces the fund appropriations by 17%.

Solution Recommendations

1. Restore full commitment of .3% user fee revenue to the Gamblers Treatment Fund.
2. Prioritize the maximum resources toward treatment with a modified emphasis on the media awareness program.
3. Develop a more comprehensive program for quantitative analysis of program impact on individual's treated.
4. Contemplate transfer of the supervision of the program to Inspections & Appeals with direct supervision by the Iowa Racing & Gaming Commission and the Iowa Lottery. An advisory board could be constituted by four members appointed by the Governor, one member of the Racing & Gaming Commission, one member of the Lottery Commission, and one member from the licensees.

NOTE: The racing and gaming tax has increased 1,800% over the five-year period from \$8.5 million in FY 1994 to \$159.1 million in FY 1999. It is estimated to have reached \$175.9 million in FY 2000 and \$186.9 million in FY 2001.

II. Addiction Research Study University of Iowa

It is perplexing that addiction research, considered by the scientific community, as the root cause of the problem gambler, as well as addictive behavior associated with excessive smoking, drinking or eating, is virtually non-existent in this state. It is even more troubling when one ponders that inpatient treatment was first acknowledged in 1972 and the American Psychiatric Society officially acknowledged pathological gamblers as a disorder of impulse control in 1980. Yet even today, addiction research languishes on the sidelines as one of the more understudied and under-funded societal problems.

We recommend to the Governor and the Legislature a research program on addiction to be conducted by the University of Iowa with a significant fiscal appropriation for an addiction study.

The Honorable Tom Vilsack
November 16, 2000
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III. Internet Gambling

Background: The advent of Internet Gambling took life with the location of several offshore entities providing access to people in the United States. The question arises whether they are exempt from any regulation among the 50 states or whether the 1960 Federal Wire Transfer Act brings them within the purview of federal legislation.

Problem: Absent any form of federal or state regulation, the following problems arise:

1. No impediment for age restriction
2. No mechanism to impede addictive participants
3. No program for problem gamblers
4. No penalties for improper activity
5. Thwarts Iowa's local referendum elections, which sanction gaming activity
6. Particular games are not reviewed and approved by a regulatory body
7. No tax revenue is collected by local or state government
8. No tax is collected by governments on capital improvements since none exists
9. It creates unfair competition to established regulated gaming industries.

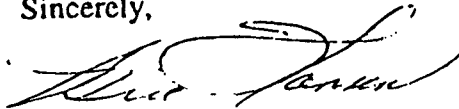
Solution Recommendation

Legislation should be adopted, which either makes it illegal in Iowa or places it under state regulation with the state.

These proposals were adopted by a Commission subcommittee of Hamilton, Hansen and Sealock on November 15, 2000, and approved by the full Commission at its regular meeting on November 16, 2000.

Should there be any questions, please advise and I will be happy to respond.

Sincerely,



W. R. "Bill" Hansen, Chair
Racing & Gaming Commission

WRH/jdh

**IOWA RACING AND GAMING COMMISSION
MINUTES
OCTOBER 18, 2001**

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, October 18, 2001, at Dubuque Greyhound Park & Casino (DGP&C), 1855 Greyhound Park Drive, Dubuque, Iowa. Commission members present were Rita Sealock, Chair; Bill Hansen, Vice Chair, and member Diane Hamilton. Commissioners Jim Hassenfritz and Mike Mahaffey were absent.

Chair Sealock called the meeting to order at 9:00 AM, and requested a motion regarding the agenda. Commissioner Hansen moved to approve the agenda as presented. Commissioner Hamilton seconded the motion, which carried unanimously.

Chair Sealock called on John Markham, a member of the Dubuque City Council and Dubuque Racing Association (DRA), who welcomed the Commission to Dubuque on behalf of Mayor Terry Duggan. He noted that since 1994, DRA/DGP&C has generated approximately \$36 million for Dubuque. Charitable giving has exceeded \$10 million and payroll has exceeded \$52 million. Mr. Markham briefly discussed the industrial parks that Dubuque has been able to establish due to funds received from DRA/DGP&C. He also mentioned the America's River project, which is being partially supported by funding from Vision Iowa and gaming taxes paid to the city.

Chair Sealock called on Bruce Wentworth, General Manager of DGP&C. Mr. Wentworth introduced Scott Zartman, President of DRA, and had DRA board members in attendance stand. He noted DRA has 21 volunteer board members.

Mr. Zartman welcomed the Commission to Dubuque. He advised the Commission that the video, "Together We Give, Together We Grow", they were about to see is the first public showing of a short piece that will be shown to local organizations over the next year in order to garner support for the upcoming referendum. The video highlights DRA/DGP&C's role in Dubuque, Dubuque County and surrounding areas.

Chair Sealock moved to the approval of the minutes from the September 20, 2001 Commission meeting. Commissioner Hamilton moved to approve the minutes as submitted. Commissioner Hansen seconded the motion, which carried unanimously.

Chair Sealock called on Jack Ketterer, Administrator of IRGC, for announcements. Mr. Ketterer introduced the following staff members domiciled in Dubuque: Gaming Representatives Rhonda Dunbar and Arni Westphal, Licensing Assistants Cheryl Vetch and Cathy Dillon, and Scott Franke, Gaming Representative for the Dubuque Diamond Jo (DDJ).

Mr. Ketterer made the following announcements with regard to upcoming meetings:

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- November Commission Meeting – November 15, Best Western Starlite Village, 929 Third St., Des Moines (Submissions due by November 1, 2001)
- December – No Meeting
- January Commission Meeting – January 10, 2002, Stoney Creek Inn, 5291 NW 84th Street, Johnston (Submissions due by December 26, 2001)
- February – No Meeting

Chair Sealock moved to the contract approvals, and called on Isle of Capri Marquette (ICM). Kim Hardy, General Manager, presented the following contracts for Commission approval:

- AON Risk Services, Inc. of Massachusetts – Insurance
- Best Western Quiet House – Comp Room Charges from 1/01/01 to end of 2001 License Period
- Williams Gaming, Inc. – Replacement of 6 Previously Leased Machines

Chair Sealock thanked Mr. Hardy for the explanation attached to the contract with Best Western Quiet House.

Hearing no further comments or questions regarding the contracts, Chair Sealock requested a motion. Commissioner Hansen moved to approve the contracts as submitted by ICM. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-135)

Chair Sealock moved to the contracts submitted by Isle of Capri Bettendorf (ICB). Jean Hansen, Director of Finance, presented the following contracts for Commission approval:

- Bettendorf Office Products – Office Supplies
- International Game Technology (IGT) – Purchase of Additional Slot Machines
- Tournament Players Club – Site of the United Way Charity Golf Tournament
- Wolfe Beverage – Beer Distributor
- Work Fitness Center – Pre- and Post-employment Screening

Hearing no comments concerning the contracts as submitted, Chair Sealock called for a motion. Commissioner Hansen moved to approve the contracts as submitted by ICB. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-136)

Chair Sealock called on Harveys Iowa Management Company (Harveys). Verne Welch, representing Harrah's, presented the following contracts for Commission approval:

- Angelica Life Uniforms – Front of House Uniforms
- Data Business Equipment – TDN Bill Breaker Machines & Equipment
- Electronic Gizmos & Display Systems – New and Re-facing of Current Slot Signage

- Electrosonic Systems – Replacement of Twenty-five 41” Projection Cubes for Videowall
- Harrah’s Entertainment, Inc. – Company Allocations (RP)
- Hnedak Bobo Group – Design & Professional Services for Conversion of Harveys to Harrah’s
- Mikohn – New and Re-facing of Current Slot Signage
- Pinnacle Construction – Construction Cage Remodel, Total Rewards Center, Gift Shop, Grease Enclosure, & Exterior Electrical
- Shufflemaster – King/Multi-Deck Shufflers Purchase
- Shufflemaster – King/Multi-Deck Shuffler Service Agreement
- VSR Lock Co. – Locks and Bases for Slot Machines on Recurring Purchase
- Wohlerscape, Inc. – Snow Removal from 11/01 thru 4/02
- Young Electric Sign Company – Brand Conversion of Exterior Signage from Harveys to Harrah’s

Commissioner Hansen asked Mr. Welch to address the contract with Harrah’s for corporate allocations. Mr. Welch stated that the majority of the funds are for fees charged back to each property to cover medical and other benefits.

Commissioner Hansen again expressed his concern that \$400,000 was being spent with an out-of-state vendor. He stated that the out-of-state owners seem indifferent to the legislative requirement that a substantial amount of purchases be made in Iowa.

Mr. Welch stated that Harrah’s has purchased their insurance corporate-wide, and was able to secure a better price.

Hearing no further comments concerning the contracts, Chair Sealock requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by Harveys. Commissioner Hansen seconded the motion, which carried unanimously. (See Order No. 01-137)

Chair Sealock called on Peninsula Gaming Company, LLC. Natalie Schramm, Assistant General Manager, presented a contract with Anchor Games for Lease Payments for Slot Machines. Ms. Schramm introduced Ron Pogge of the Hopkins and Huebner Law Firm, who provided the update on Peninsula’s Louisiana project.

Hearing no comments regarding the contract, Chair Sealock requested a motion. Commissioner Hansen moved to approve the contract as submitted by Peninsula. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-138)

Mr. Pogge advised the Commission that a subsidiary of Iowa’s licensee is in the process of purchasing a 50% interest in the operating company that holds the license for Evangeline Downs Racetrack in Louisiana. Louisiana has a two-step regulatory process:

one before the Louisiana State Racing Commission and another before the Louisiana Control Board. Mr. Pogge stated that the Louisiana Racing Commission has authorized the filing of the application to the Gaming Board, which has been done. It is anticipated that approval will be received in February or March of 2002. The parties anticipate entering into a maximum price contract of \$87 million. Construction of the casino is slated to begin in 2002 and will take approximately 12 months. Construction of the new racetrack facility is slated to begin in March of 2003. The new racetrack facility will be approximately 12 miles from the current location.

Commissioner Hansen asked Mr. Pogge if Peninsula would be able to stay current with its obligation to buy out the general and limited partners. Mr. Pogge stated that he had just become aware of a letter sent to the Commission on behalf of the members of the Greater Dubuque Riverboat Entertainment Company (GDREC) by their legal counsel, Doug Gross. Mr. Pogge stated that Peninsula had not made the last payment to the partners as it is based on a formula contained in the contract. It is anticipated that payment will be made in accordance with the contract, although the actual payment has been delayed. He indicated that the Louisiana purchase would have no effect on the formula. Peninsula anticipates complying with the agreement in full, and payment will be made under the terms of the agreement.

Chair Sealock requested that Peninsula inform the Commission when the payment is made. Mr. Pogge indicated they would do so. Chair Sealock noted that Peninsula was late making the payment to GDREC last year as well.

Commissioner Hansen asked what circumstances were preventing Peninsula from making the payment to GDREC at this time. Mr. Pogge turned the question over to Ms. Schramm. Ms. Schramm stated there are covenants contained within the bond investments that restrict interest payments. The formula is tied to Peninsula's EBITA interest ratio. Commissioner Hansen asked why GDREC was stating that the payment was late. Ms. Schramm stated that the payment GDREC was referring to was due on July 15th. Per the agreement, if Peninsula is not within formula, they cannot make the payment. She indicated that GDREC had been provided with the necessary information indicating that payment could not be made.

Chair Sealock questioned when Peninsula intended to make the payment. Ms. Schramm indicated Peninsula would make the payment as soon as they were within the formula. Chair Sealock asked if that would occur prior to the end of the year. Ms. Schramm indicated Peninsula more than likely would not be within formula before the end of the year. Chair Sealock noted that Peninsula was able to make the payment prior to the end of the year last year. Ms. Schramm concurred, and noted that they were able to make the January 15, 2001 payment on time. Chair Sealock asked if Peninsula had another payment due on January 15, 2002. Ms. Schramm answered in the affirmative. Chair Sealock asked if Peninsula was still in compliance with the contractual agreement. Ms. Schramm and Mr. Pogge answered in the affirmative.

Chair Sealock called on Ameristar Casino. Jane Bell, Director of Government Relations in Council Bluffs, presented the following contracts for Commission approval:

- New Horizons Kids Quest – Increase in Child Care Costs (RP)
- Peoples Natural Gas – Increase in Natural Gas Costs
- Omaha World Herald – Increase in Advertising Costs
- Tobacco Hut – Increase in Tobacco Inventory Costs
- The Printer Inc. – Increase in Marketing Material Costs
- Doll Distributing – Increase in Beer Inventory Costs
- Edward Don – Increase in Costs of Restaurant Supplies
- Loffredo Produce – Increase in Costs of Produce Used
- Sioux City Journal – Advertising and Subscription Services
- Des Moines Register – Advertising and Subscription Services
- Krajcir Corp – Promotional and Clothing Items
- Namco Inc. – Arcade Game Participation Agreement
- Millar Elevator Service – Elevator Maintenance and Repair
- Ameripride – Linen Rental and Laundry
- Rex Olson Landscapes – Indoor Plants and Maintenance
- Absolutely Fresh Seafood – Fresh and Frozen Seafood
- Omaha Steaks Sales Company – Increase in Amount of Steaks Sold
- Larry Laneheart – Comedy Show Performances

Chair Sealock noted that the Commission did not receive copies of the bids associated with the Millar Elevator Service contract. Commissioner Hansen requested that the bids be forwarded to the Commission.

Hearing no further discussion concerning the contracts, Chair Sealock requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by Ameristar. Commissioner Hansen seconded the motion, which carried unanimously. (See Order No. 01-139)

Ms. Bell advised the Commission that Ameristar has completed the required number of cruises for the year. Additionally, she noted that Ameristar is committed to using Iowa vendors and will soon be signing a \$19 million contract with Taylor Ball to construct the parking garage at their Kansas City facility.

Chair Sealock called on the Belle of Sioux City (BSC). Jesus Aviles, General Manager, presented the following contracts for Commission approval:

- Argosy Gaming – Intercompany Charges for August 2001 (RP)
- IGT – New Slot and Player Tracking System

As there were no questions concerning the contracts, Chair Sealock requested a motion. Commissioner Hansen moved to approve the contracts as submitted by BSC.

Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-140)

Chair Sealock called on Southern Iowa Gaming (SIG). Joe Massa, General Manager, presented a contract with William Morris Agency, Inc. for talent for concerts held at the facility.

Chair Sealock asked why the contract was not with an Iowa company. Mr. Massa stated that a number of the acts Lakeside contracts for are under contract to this particular company. He stated that the contract represents the down payment for the show, and the other half is paid to the entertainer.

As there were no further questions, Chair Sealock requested a motion. Commissioner Hansen moved to approve the contract as submitted by SIG. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-141)

Following a short break, Chair Sealock called on Mr. Ketterer. Mr. Ketterer stated that everyone is aware of the critical situation with the state budget and the announcements from the Governor's office. At this time, an across-the-board cut of 4.3% has been instituted for FY 2002, which ends June 30, 2002. It is the Governor's intent to call a special session of the Legislature to deal with any additional cuts or, in some cases, restoring revenue. Mr. Ketterer noted that only two-thirds of the fiscal year remains, making it difficult for agencies to find areas in which to cut spending. Mr. Ketterer noted that IRGC has separate budgets for pari-mutuel and gaming. The pari-mutuel budget is comprised of payments for veterinarians, stewards, and licensing assistants at each track to cover the occupational licensing, officiate the races and for the testing done by Iowa State University. Mr. Ketterer pointed out that while Bluffs Run races year-round, Prairie Meadows Racetrack & Casino (PMR&C) and DGP&C are within a month of completing their calendar year seasons and will not race again until the end of April 2002, when there are only two months left in the fiscal year. He indicated that management staff would be meeting next week to determine what alternatives might be available, but one area being considered is reducing the number of racing days even though there are not that many days left in the fiscal year at two of the pari-mutuel facilities. Mr. Ketterer stated that he felt it was appropriate to bring the subject up prior to the Commission acting on the racetrack enclosure gambling licenses and the fact that the Commission approved the renewal of the racetrack licenses at its September meeting. Mr. Ketterer stated that all interested parties would be apprised of any decisions, noting that some decisions would depend on any actions taken by the Legislature during the special session.

Chair Sealock moved to the Racetrack Enclosure Gambling License Renewals, and called on DRA/DGP&C. Mr. Wentworth noted that in addition to the license renewal the following contracts were also be submitted for Commission approval:

- AC Coin and Slot Co. – Lease 4 Slot Machines (Replacements)
- Konami Gaming, Inc. - Purchase 14 Slot Machines (Replacements)

- Int'l Association of Machinists & Aerospace Workers AFL-CIO, Local 1238 – Labor Agreement

Commissioner Hansen, referring to DGP&C's five-year projections submitted with the racetrack license renewal in September, asked if racing created a deficit draw on the combined operations. He also asked how the first nine months of casino operations for 2001 compare with 2000.

Mr. Wentworth asked Roger Hoeger, Comptroller, to address the question. He stated that the greyhound operation does impact the consolidated income statements, which are prepared on a monthly basis. Mr. Hoeger stated DGP&C is very close to budget in terms of what they projected for this year, even with a slight decline in handle. Some of the information provided with the license renewal in September will become part of the budget for the upcoming year. Mr. Hoeger stated that the gaming tax continues to be an issue, and expects net income for this year will be slightly less than last year.

Commissioner Hansen stated that for the current year, DGP&C is projecting a loss of approximately \$662,000 up to \$925,000, which prompted his question concerning casino profits for the nine-month period. Mr. Hoeger stated that win at DGP&C is up approximately 4.6% from last year for the first nine months of the fiscal year, allowing DGP&C to absorb some of the losses from the pari-mutuel operations. He noted that they had budgeted for some leveling of the business in their most recent projections with regard to win. The losses on the pari-mutuel side does affect DGP&C's distributions, which will be less for the upcoming year than they were last year. Mr. Hoeger noted that DGP&C's reserves are decreasing to the point where it will make it difficult to fund capital improvements; however, capital improvements are funded from the 25% funds retained by the facility and does not impact operations or distributions. He reiterated his earlier statement that win is up approximately 4.6%, but that overall, figures are close to what was budgeted.

Commissioner Hansen asked how the figures compared with last year. Mr. Hoeger stated that he did not have that information with him. He did indicate that net income for this year would be down compared to last year.

Commissioner Hansen advised that he considered this information pertinent and should be requested in the license renewal. He noted that in all three instances it is the casino supporting the pari-mutuel operations, and the question becomes whether or not the casino is doing well enough to absorb the losses from that side of the operation. Mr. Hoeger stated that based on projections, DGP&C has sufficient revenues to continue operations for the next five years, with a potential for some impact on capital improvements. From an operational standpoint, DGP&C is financially viable.

Chair Sealock asked if the capital improvements were along the lines of maintenance, which DGP&C could control. Mr. Wentworth explained that DGP&C prepares a capital improvement project plan every year at this time. He noted that DGP&C has 600 slot

machines, and they plan to replace a certain number every year of the 5-year plan, which takes approximately 80% of the capital improvement funds. Mr. Wentworth reiterated that DGP&C is viable, but the question becomes their ability to compete in the future and provide for those organizations that have come to rely on the grant distributions. He advised that DGP&C distributed \$2.5 million last year to charitable organizations, with the requests totaling \$8 million.

Commissioner Hansen asked what the additional 2% would mean to DGP&C in terms of dollars. Mr. Wentworth stated that it would equal approximately \$36-37 million.

Mr. Ketterer asked Mr. Wentworth if DGP&C was in the second year of a 2-year contract with the Iowa Greyhound Association with regard to purse supplements from casino revenues. Mr. Wentworth answered in the affirmative; that 8¼% of casino revenues go toward greyhound purses. DGP&C has been able to grow the casino revenues, allowing them to maximize distributions to everyone.

Hearing no further discussion concerning the renewal or contracts, Chair Sealock requested a motion. Commissioner Hansen moved to approve the renewal of the racetrack enclosure gambling license and the contracts as submitted by DRA/DGP&C. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-142)

Chair Sealock moved to the racetrack enclosure license renewal for Iowa West Racing Association (IWRA), which holds the license for Bluffs Run Casino (BRC). Tony Payne, Executive Director of IWRA, turned the floor over to Mr. Welch, who made the following introductions: Karen Wosnack, Legal Counsel for the Eastern Division of Harrah's; and Shannon Fenster, Compliance Officer.

Mr. Payne provided the following information concerning operations at BRC: win is approximately 1.2% ahead of last year; year-to-date win is at \$95.3 million compared to \$94.2 million, and should reach \$127 million for the year, which will be an increase of between 1.2% and 1.8% ahead of 2000. BRC has paid approximately \$27.3 million in taxes, of which \$26.7 million was the gaming tax compared to \$24.5 million last year. The 2% increment each year at BRC equates to \$2.4 million. With regard to capital improvements, BRC will be re-asphalting the parking lot; replacing the carpet throughout the facility, and replacing the existing roof. These improvements will cost between \$3-4 million. In addition to the projects just listed, Harrah's will be replacing the player tracking system at BRC to the system used at all of their facilities, and the gaming floor will be updated with new machines. Mr. Payne stated that gaming revenue for the entire Council Bluffs market is running 3.1% ahead of last year – Harveys is up 4.3% and Ameristar is 3.8% ahead of last year. He noted these figures are based on a calendar year, not a state fiscal year. Mr. Payne expressed optimism that the Bluffs market would be at least equal to last year.

Mr. Payne submitted the following contracts for Commission approval:

- Angelica Life Uniforms – Uniforms
- Electronic Gizmos & Display Systems – Purchase New Signs & Re-Face Existing Signs
- Harrah's Entertainment – Company Allocations (RP)
- Hnedak Bobo Group – Design Services for Conversion
- Mikohn – Purchase New Signs & Re-Face Existing Signs
- Oakview Constructions – Remodel Project
- Peters Law Firm – Legal Services (Additional Amount)
- Unisource – Housekeeping & Janitorial Supplies (Additional Amount)

Commissioner Hansen asked Mr. Payne if he was still optimistic about BRC and the Iowa Greyhound Association (IGA) being able to negotiate a purse supplement agreement. Mr. Payne indicated that he was. He asked Mr. Pogge and Tom Murphy, legal counsel for the IGA, to come forward and provide an update. Mr. Murphy indicated the parties are still in negotiations, and advised there is a strong probability that the issue will not go to arbitration.

Chair Sealock advised that the Commission would like to see more specific information with regard to bids received by the facility when awarding contracts.

Commissioner Hamilton asked if all employees were trained to detect intoxicated patrons. Mr. Welch answered in the affirmative, and advised that employees receive training annually.

Hearing no further discussion concerning the license renewal or contracts, Chair Sealock requested a motion. Commissioner Hamilton moved to approve the renewal of the racetrack enclosure gambling license and contracts as submitted by IWRA/BRC. Commissioner Hansen seconded the motion, which carried unanimously. (See Order No. 01-143)

Chair Sealock called on the Racing Association of Central Iowa (RACI), license holder for Prairie Meadows Racetrack & Casino (PMR&C). Ron Morden, Chief Financial Officer, was present to answer questions. He also submitted a contract with Nevada-MCI, Inc. for the purchase of two Perconta coin redemption machines.

Commissioner Hansen asked how the casino net profits for the first nine months of 2001 compared to the same period in 2000. Mr. Morden stated that he had not seen the final numbers for the first nine months, but stated PMR&C is seeing less on the bottom line primarily due to the state gaming tax. He indicated the 2% increase per year equates to approximately \$2.8 million. At the current gaming tax rate of 30%, RACI will pay the stated approximately \$42 million in gaming taxes.

Commissioner Hansen asked Mr. Morden if he could compare August 2001 to August 2000. Mr. Morden stated that the figures were down, but he did not have the exact percentages. Commissioner Hansen asked him to estimate how much PMR&C was

down. Mr. Morden indicated that rather than providing the Commission with incorrect information, he would prefer to provide that at a later date. He indicated that RACI anticipates the net win from the slot machines will be approximately \$141 million this year, which is up from last year.

Commissioner Hansen expressed concern as to how RACI would make it through the year when their profits drop from \$19 million to just over \$1 million. Mr. Morden stated the bottom line for the organization as a total would show a negative figure because of depreciation and other non-cash items, an example being the \$26 million addition completed a year ago. Due to the terms of RACI's lease agreement with Polk County, RACI is required to write off the amount over a two-year period, so the books will show a net loss this year and next. Commissioner Hansen asked how RACI would end up this year compared to last year if that particular item was taken out of the picture. Mr. Morden stated that the bottom line would be less than last year but that the facility would still be financially viable. He indicated RACI is watching the cash situation because of the required distributions to Polk County and the five-year agreement with the horsemen.

Mr. Ketterer advised that PMR&C was withdrawing the contract with Certegy Check Cashing Services, included in the license renewal, from consideration.

Hearing no further questions or comments concerning the license renewal or additional contract, Chair Sealock called for a motion. Commissioner Hansen moved to approve the renewal of the racetrack enclosure gambling license for RACI and the additional contract submitted by PMR&C. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-144)

Chair Sealock moved to the next agenda item – Petition for Rulemaking and Proposed Rule, which was originally filed by the Iowa Freedom of Information Council (IFOIC) in September and deferred until October by the Commission. Brian Cooper, Executive Editor of the Dubuque Telegraph Herald, was present in his capacity as First Vice President of IFOIC, to answer any questions the Commission may have regarding their request. Mr. Cooper noted that the Executive Secretary, Kathleen Richardson, of IFOIC had been in contact with Mr. Ketterer, and that a proposed rule had been brought forward.

Mr. Ketterer stated that all parties had received copies of the correspondence between IFOIC and the Commission. He noted that the Des Moines office had contacted Ms. Richardson after the September Commission meeting, and learned there had been a misunderstanding as to whether or not a representative needed to attend the meeting. The Commission drew up the proposed rule IFOIC petitioned for. The Commission received additional information from Ms. Richardson after the agenda was sent out setting out a request by Gil Cranberg, another IFOIC member, indicating that the requested data should be assembled separately for Iowa residents and non-Iowa resident owners and aggregates should be presented in the descending order of magnitude. Mr. Ketterer advised that the general managers of the racetrack facilities had received a copy of the proposed rule.

Mr. Cooper stated that IFOIC supported the proposed rule as they feel the interest of the Commission and Iowans interested in the success of the pari-mutuel industry and the breeding program are of public interest, and this rule will make the information more accessible to the public.

Chair Sealock stated that the information was available to the Commission and the public all along. She noted that it does become a problem when someone from the public wants to go back a number of years as it does take time to gather the information.

Commissioner Hansen stated that this issue was particularly high profile during the month of August and received extensive coverage in the Des Moines Register, with some issues being inferred. He stated PMR&C has provided the requested information. Commissioner Hansen stated that he supports the rule, and feels it may be a practical solution. Commissioner Hansen stated that he had the following questions for the parties involved:

- PMR&C: What are you trying to hide by not providing the information?
- IFOIC: If you have access to the information, what useful purpose would it serve?

Commissioner Hansen stated it was apparent from IFOIC's original correspondence to the Commission that they did not realize the Commission spends time as a Commission and in public meetings reviewing balance sheets, as well as profit and loss sheets. He noted that the licensees submit this information on an annual basis. In his opinion, he felt the newspaper articles surrounding this situation inferred there was some impropriety occurring at PMR&C. Commissioner Hansen pointed out there are three judges overseeing the races at PMR&C, two appointed by the Commission and one by the track. He stated that he has no concerns about any impropriety at PMR&C.

Mr. Cooper stated that he rarely gets the opportunity to address coverage provided by other media outlets other than the Telegraph Herald, but indicated that he was not aware of any questions about impropriety concerning the conduct of the races, that it had more to do with the disbursement of purse supplements for the Iowa breeding program. The IFOIC is interested in having the information available in a format that is easily understood by anyone reviewing it.

Chair Sealock advised that the Commission did not see a need for the rule as they are already receiving the information. She indicated that she is in favor of the rule.

Mr. Morden stated that PMR&C representatives do not feel the comments printed in the newspaper ever hinted at any impropriety, that they dealt more with the lack of information being supplied. He stated that at no time did PMR&C refuse to supply the information requested by Mr. Cranberg; PMR&C felt the information being requested was not needed by them for their operations. In compliance with a RACI Board policy approved two years ago, PMR&C staff advised Mr. Cranberg that the information could

be assembled for a fee. Mr. Morden stated that RACI/PMR&C has no problem in supplying the information; however, he noted they do have some concerns with the proposed rule. He stated that rather than providing the requested information at the end of every meet, RACI/PMR&C suggested that the information be filed annually with the Commission, which would still meet the public's right to have the information, within 45 days of the end of the meet. Additionally, Mr. Morden noted that the proposed rule indicates that the licensee would have to provide information about the underlying individual owners of each corporation or other business entity. He noted that the Commission already has that information on file. Mr. Morden stated that as long as an entity was licensed by the Commission enabling RACI/PMR&C to make payments to the entity, they would do so. He suggested that it should be sufficient for the facilities to simply show the payee of purse distributions, and if anyone desires additional information on the underlying individuals behind a corporation that the information is available from the Commission.

Chair Sealock noted that all public bodies in Iowa operate under the same philosophy set out by the Attorney General's Office, which states that the information is open to the public, and they may go to the office to review the information if they wish. If the individual wishes to have the business copy information they can take with them, then those businesses are entitled to charge the individual for the preparation of the materials.

Commissioner Hamilton asked if the Commission was going to add the proposed language suggested by Mr. Cranberg. Mr. Hansen stated that he was ambivalent on that, that the issue is a matter of providing additional information to the public.

Chair Sealock stated that she thought the Commission should either approve the proposed rule in the form proposed by the Commission or send it back to the drawing board, but should not attempt to draft the rule during the meeting.

Commissioner Hansen noted that the rule still had to go before the Administrative Rules Committee, and that a public hearing would be held.

Mr. Ketterer suggested that during the next agenda item, Notice of Intended Action regarding the proposed rule, that the Commission incorporate the requested language into the rule and approve the Notice of Intended Action. During the rulemaking process, the rule will be published for three weeks, and a public hearing held at the Des Moines IRGC office for interested parties. Interested parties may attend the meeting to officially record their comments or submit them in writing. There will also be a hearing before the Administrative Rules Review Committee at which time IRGC staff will forward any public comments received from any source. Mr. Ketterer noted that the Commission would have another opportunity to review the rule prior to approving it for final adoption. Chair Sealock moved to the Notice of Intended Action, and requested a motion regarding the proposed rule. Commissioner Hansen moved to adopt the rule, including the amended language as presented in the October 10, 2001 letter from the Iowa Freedom of

Information Council. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-145)

Chair Sealock called on Clinton County Gaming Association, Ltd./Mississippi Belle II (MB II) Employees Ownership Co. for a presentation regarding their license application. Ken Bonnet, General Manager, stated that MB II hopes to form an employee stock ownership plan. He advised that such plans operate like a pension plan or retirement plan but instead of investing in other people's businesses, the employees would invest in the MB II business. A trustee has been selected to represent the employee ownership, who has hired financial and legal advisers, and are currently conducting due diligence just as would be done for anyone acquiring majority ownership in a company. Upon the completion of the due diligence, the sellers will negotiate the purchase price with the trustee. Mr. Bonnet stated that they hope to have agreements in place with regard to the selling of stock, the Trust, and all other aspects of the application when they appear before the Commission in November seeking approval of the application.

Chair Sealock moved to the hearing for PRM&C for a violation of Iowa Code Section 99F.9 with regard to an underage violation. Mr. Ketterer advised that IRGC had entered into a Stipulated Agreement with RACI. An 18-year old entered PMR&C on July 14, 2001. While others in his party were asked to show identification, he was not. The individual went to the fourth floor, eventually went to the crossover area and walked past a different security officer, and again was not asked for identification. The minor was in the casino for approximately an hour. Security tapes show that another security officer walked past the individual and did not request identification. A security officer did finally approach the individual and request identification, which showed that he was 18 years old. Mr. Ketterer stated that RACI has agreed that this incident constitutes a violation of 99F.9(5) and has agreed to an administrative penalty of \$10,000. He recommended approval of the agreement.

Hearing no comments concerning the proposed Stipulated Agreement, Chair Sealock requested a motion. Commissioner Hansen moved to approve the Stipulated Agreement between IRGC and RACI as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 01-146)

Chair Sealock moved to Administrative Business, and called on Commissioner Hansen to present a report concerning the Legislative Subcommittee meeting held on Wednesday. Commissioner Hansen stated that the Commission's Legislative proposals to be presented to Governor Vilsack cover three issues: diversions from the Gambler's Treatment Program, opposition to Internet gambling, and institute a more stringent penalty against perpetrators of the underage gambling violations.

Commissioner Hansen noted that the casinos pay a .3% tax to fund the Gambling Treatment Program; however, over the years the Legislators have diverted money from this fund for unrelated purposes. Over a fifteen-year period from 1986 to Fiscal Year 2000, they took approximately \$2.6 million, noting that approximately \$3.6 million is

generated for this fund annually. Over the last two years, the Legislature has diverted \$3.8 million from the fund, or one and a half times the amount diverted in the first fifteen years. Commissioner Hansen also stated that the Commission feels the Gambling Treatment Program should be restructured under an independent agency so that they are not tempted to continue siphoning funds. Commissioner Hansen recommended that an advisory board be established with the following membership: one member each from the IRGC, Lottery and Iowa Gaming Association, and four members appointed by the Governor.

Commissioner Hansen indicated the Commission opposes Internet gambling for the following reasons:

- No impediment for age restriction
- No mechanism to impede addictive participants
- No program for problem gamblers
- No penalties for improper activity
- Thwarts Iowa's local referendum elections, which sanction gaming activity
- Particular games are not reviewed and approved by a regulatory body
- No tax revenue is collected by local or state government
- No tax is collected by governments on capital improvements since none exists
- It creates unfair competition to established regulated gaming industries

Commissioner Hansen moved to the third area of the Commission's legislative proposals: a more stringent penalty against the perpetrators of underage violations, noting that a minor can gain access to a casino and pay a fine of \$75 - \$100, while the Commission fines the licensee \$10,000 or more. He feels the minors might be more reluctant to risk entering a casino and getting caught if they faced the loss of their drivers' license for six months.

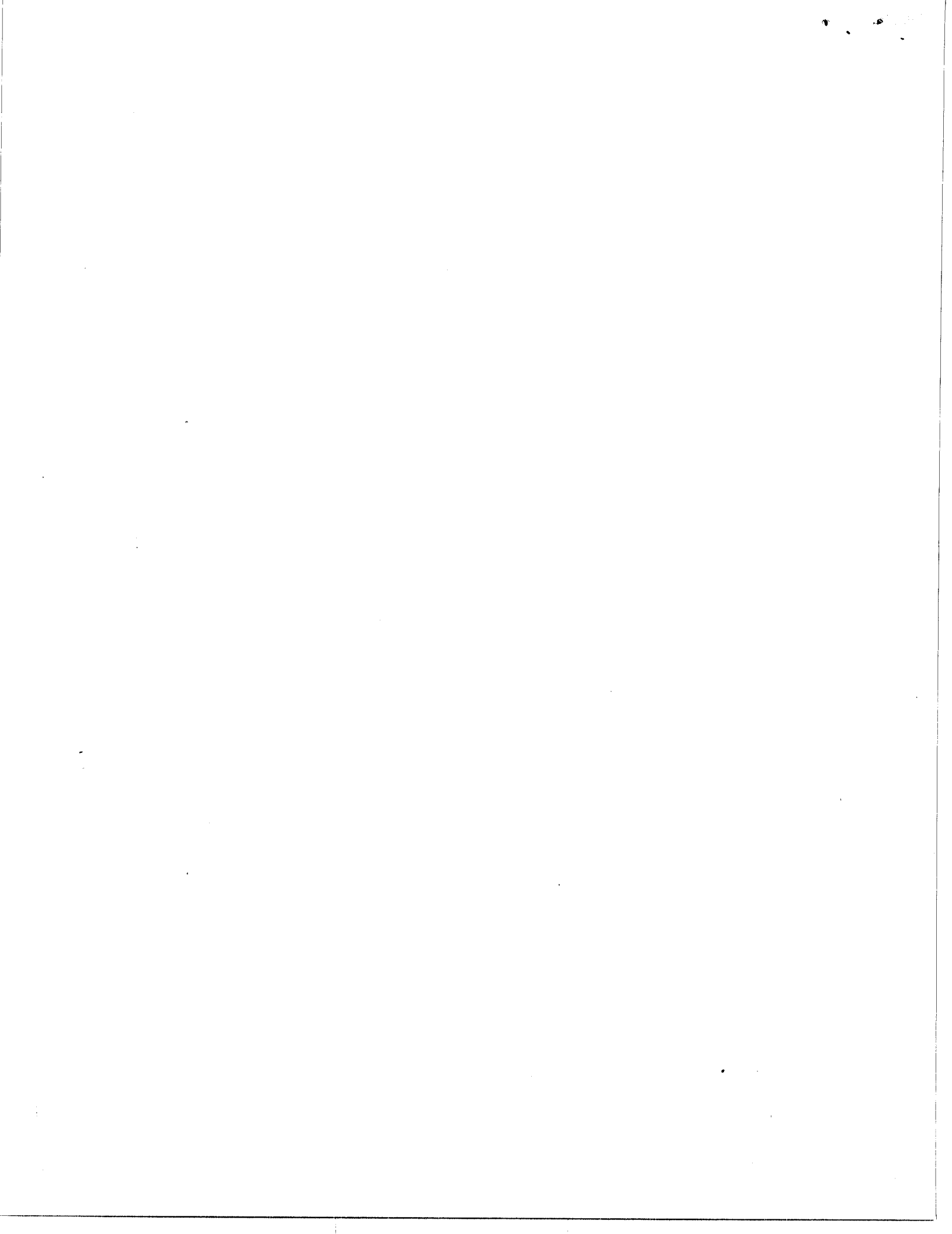
Commissioner Hansen stated that the above report, barring any objections from other Commission members, would be submitted to the Governor next month.

Chair Sealock moved to Public Comments. Bob Rider, representing District 4C of the National Greyhound Association (NGA), stated that he will be representing Iowa, Wisconsin and Missouri. He offered his assistance to the Commission and the greyhound racetracks with the greyhound industry. Mr. Rider advised that since Mr. Timmons had started working for the Iowa Greyhound Association, and new management was in place at BRC, there appears to be less conflict. Additionally, he expressed his appreciation for the way BRC's web site represents the greyhound industry. Mr. Rider indicated that he had not heard any complaints regarding the current meet at DGP&C, which will be concluding in a couple of weeks. He also advised the Commission that he just returned from the NGA's National Meeting, noting that Bob Hardison from Ottumwa, Iowa, who races at BRC and DGP&C, set a new track record.

As there were no further public comments, Chair Sealock called for a motion to adjourn. Commissioner Hansen so moved. Commissioner Hamilton seconded the motion, which carried unanimously.

MINUTES TAKEN BY:


JULIE D. HERRICK CPS



**IOWA RACING & GAMING COMMISSION
MINUTES
JUNE 21, 2001**

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, June 21, 2001, at the Sheraton Four Points Hotel, 4800 Merle Hay Road, Des Moines, Iowa. Commission members present were: W. R. "Bill" Hansen, Chair; Rita Sealock, Vice Chair; and members Jim Hassenfritz and Mike Mahaffey. Commissioner Diane Hamilton was absent.

Chair Hansen called the meeting to order at 8:00 AM and requested a motion to go into Executive Session. Commissioner Mahaffey moved to go into Executive Session for the purpose of receiving background information from the Division of Criminal Investigation (DCI). Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 01-62)

Following the conclusion of the Executive Session and a short break, Chair Hansen reconvened the open session of the meeting and advised those in attendance that there were three changes to the agenda. Chair Hansen amended the agenda to reflect the noticed Executive Session, a presentation by Prairie Meadows Racetrack & Casino (PMR&C) on a proposed season change and to delete the President and non-profit organizations under the review of the licensees' financial audits. Commissioner Hassenfritz moved to approve the agenda as amended. Commissioner Sealock seconded the motion, which carried unanimously. (See Order No. 01-63)

Chair Hansen requested a motion to approve the minutes from the May 17, 2001 Commission meeting. Commissioner Sealock moved to approve the minutes as submitted. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 01-64)

Chair Hansen called on Mr. Ketterer for announcements. Mr. Ketterer informed the Commission that Karyl Jones and Karlyn Dalsing had been named Leader of the Year and Employee of the Year respectively for the Department of Inspections & Appeals. Mr. Ketterer stated that the dates and locations for upcoming Commission meetings would be as follows:

- July Commission Meeting – July 19, Des Moines – Sheraton Four Points, Merle Hay Road (Submissions due by July 5, 2001)
- August Commission Meeting – August 21, Sioux City – Sioux City Convention Center (Submissions due by August 7, 2001)
- September Commission Meeting – September 20, Des Moines (Submissions due by September 6, 2001)

IRGC Commission Minutes

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Hearing no questions regarding the MB II's report, Chair Hansen called on IWRA. Teresa Yockey, Director of Finance, stated that BRC experienced a 6% increase in gross revenues, and a 3% increase in net profits due to an increase of 252 slot machines.

Mr. Welch stated that BRC developed a new slot section, and refurbished the steak house and coffee shop for approximately \$6 million. An additional \$2 million was spent on new carpeting, ceiling tile, painting, and upgrading the heating and air conditioning systems. He noted that Harveys' had developed some plans with regard to BRC in the past, and stated that he felt they would be following up on those with the transition to Harrah's.

Mr. Payne advised the Commission that IWRA's revenues were up 6%, while expenses were down approximately 60%, or \$700,000, due to the sale of the property and buildings to Harveys, meaning IWRA no longer pays rent to the Southwest Iowa Foundation. On the balance sheet, IWRA was able to move some cash into an indemnity account, which could be invested. This transaction increased IWRA's other revenue by approximately \$400,000. Earnings increased from \$6.5 million to \$8.159 million.

Chair Hansen called on Dubuque Racing Association, Ltd., license holder for Dubuque Greyhound Park. Roger Hoeger, Assistant General Manager/Controller, stated that gross revenue was up approximately 6.5% and net revenues were up approximately 5.76%. He noted that net profit decreased considerably due to increased gaming taxes. At this time, DRA is paying approximately \$640,000 per year. Mr. Hoeger indicated that DRA was able to increase their distributions. He noted there weren't many additional increases to buildings, land and improvements. Furniture and fixtures increased approximately \$800,000

Chair Hansen asked about the impact of the escalating gaming tax on DRA's operation. Mr. Hoeger stated that at some point DRA would have to determine what they want to do. DRA is the co-licensee for the DDJ, which includes a financial arrangement. He stated that if the gaming tax continues to increase, the market matures, and expenses increase, DRA will have to decide whether to continue operating as they currently are or becoming more of a passive recipient of income from the DDJ. Mr. Hoeger stated that DRA has made promises to the community and the non-profit, and would like to continue the cash flow back to the community and charitable organizations.

Commissioner Sealock commented on the substantial decrease in net profit from 1999 to 2000. Mr. Hoeger stated the decrease was partially due to an increase in distributions, but the majority was due to the escalating gaming tax, which affects DRA's financial viability, and their ability to keep new slot products on the gaming floor. DRA's distribution formula calls for 50% of the bottom line to go to the city, 25% to charities and 25% is retained by DRA for purchasing slot machines, making improvements to the facility, improvements to the kennel compound, etc.

Chair Hansen stated that as he reviewed the summary sheet provided, noting the modest increase in expenditures and distributions, he does not see a lot of breathing room. Mr. Hoeger concurred with Chair Hansen's statement. He noted that the DRA Board and management are concerned about the issue, and will continue to address the Legislature regarding the gaming tax issue until a resolution is reached. Mr. Hoeger pointed out that the track provides a number of jobs, which are important within the community, and should be important to the state. He reiterated that at some point in the future, DRA would have to review their options. At this time, Mr. Wentworth addressed the Commission. He directed them to the second page of the handout (copy attached), which shows where the money is going at DRA. He pointed out that in 1997 the State of Iowa collected \$5.6 million from DRA, \$6.8 million in 1998, approximately \$8.6 million in 1999 and over \$9.7 million in 2000.

Hearing no further questions or comments regarding DRA's financial report, Chair Hansen called on Racing Association of Central Iowa (RACI). Ron Morden, Chief Financial Officer for PMR&C, advised that net revenue dropped by 8.9%, and expenses increased by 8.4%. He noted that RACI did make charitable contributions totaling between \$18 and \$19 million, and completed a \$26 million addition to the facility. Mr. Morden attributed the change in net revenues to the construction project and increased competition.

Chair Hansen, noting the \$13 million drop in revenue between 1999 and 2000, asked Mr. Morden what he anticipated revenue would be for 2001. Mr. Morden stated that revenues are about equal to 2000, and expenses are increasing due to the escalating gaming tax. He stated that the additional 2% translates into an additional \$3 million to be paid to the State each year.

Chair Hansen noted the sizeable increase in equity from 1999 to 2000. Mr. Morden stated that the difference is about \$18 million. He stated that \$13 million is attributable to the decrease in net revenues, and expenses increased approximately \$5 million. Mr. Morden stated that a large part of the increase in expenses was due to depreciation. Since PMR&C leases the facility from Polk County, when they put money into the facility, they are required to write it off over the period of the lease, meaning that the \$26 million addition has to be written off by the end of 2002.

Chair Hansen noted that charitables had been cut by \$1 million, while purses had increased over \$2 million. Mr. Morden stated some of the decrease in charitables could be attributed to the timing of the payments, as some were not paid until the beginning of 2001. He advised that purses were paid in accordance with the contracts negotiated with the horsemens' associations.

Chair Hansen asked when the purse agreements would be renegotiated. Mr. Morden stated the current contracts run through 2002.



Profit and Loss Statement	2000	1999	Variance	%
Gross Revenues	\$143,906,368	\$135,162,278	\$8,744,090	6.47%
Drop	\$133,499,803	\$124,971,497	\$8,528,306	6.82%
Cost of Sales	(\$120,526,644)	(\$113,056,201)	(\$7,470,443)	-6.61%
Jackpots / Fills	(\$97,586,968)	(\$91,226,830)	(\$6,360,138)	-6.97%
Gaming Tax	(\$9,417,089)	(\$8,195,729)	(\$1,221,360)	-14.90%
Rent Expense	(\$2,785,633)	(\$2,673,458)	(\$112,175)	-4.20%
Casino Purse Supplement	(\$2,124,740)	(\$2,043,914)	(\$80,826)	-3.95%
Net Revenues	\$23,379,724	\$22,106,077	\$1,273,647	5.76%
Total Expenses	(\$22,653,475)	(\$20,513,036)	(\$2,140,439)	-10.43%
Wages & Salaries	(\$5,983,463)	(\$5,604,639)	(\$378,824)	-6.76%
Advertising	(\$1,774,128)	(\$1,510,998)	(\$263,130)	-17.41%
Depreciation & Amortization	(\$2,404,954)	(\$2,323,874)	(\$81,080)	-3.49%
Insurance	(\$733,905)	(\$581,000)	(\$152,905)	-26.32%
Players Club	(\$603,391)	(\$499,462)	(\$103,929)	-20.81%
Distribution	(\$7,674,000)	(\$6,594,000)	(\$1,080,000)	-16.38%
Loss on Sale of Fixed Assets	(\$4,123)	(\$79,348)	\$75,225	94.80%
DCI Fees	(\$48,028)	\$0	(\$48,028)	N/A
Net Profit	\$726,249	\$1,593,041	(\$866,792)	-54.41%
Net Equity	\$17,512,505	\$16,786,256	\$726,249	4.33%

Balance Sheet Statement	2000	1999	Variance	%
Buildings, Land, & Improvements	\$6,850,259	\$6,662,468	\$187,791	2.82%
Furniture, Fixtures, & Equipment	\$8,003,456	\$7,207,218	\$796,238	11.05%
Slot Machines & Related Casino Equip.	\$867,333			
Miscellaneous Equipment	\$135,033			
Fixed Asset Sales / Disposals	(\$313,410)			
Computer Hardware / Software	\$96,666			
Current Liabilities	(\$10,605,049)	(\$9,085,864)	(\$1,519,185)	-16.72%
Accrued Distributions	(\$8,593,414)	(\$7,323,625)	(\$1,269,789)	-17.34%
Long Term Debt	\$0	\$0	\$0	N/A

Fiscal Year	1994	1995	1996	1997	1998	1999	2000	Total
Attendance								
Handle	102,965	114,647	692,547	814,971	869,059	898,967	914,320	8,330,310
Adjusted Gross Receipts	\$11,160,734	\$9,515,385	\$9,286,362	\$8,844,969	\$8,645,543	\$8,160,024	\$7,752,945	\$467,945,259
		\$333,582	\$20,286,270	\$25,461,191	\$28,938,356	\$33,744,665	\$35,912,836	\$144,676,900
State of Iowa								
Pari - Mutuel Tax	\$199,446	\$162,457	\$160,892	\$158,502	\$156,138	\$146,650	\$139,295	\$19,641,290
Admission Tax	\$48,548	\$57,323	\$346,274	\$407,485	\$434,529	\$449,484	\$457,160	\$4,142,833
Uncashed Mutuel Tickets	\$59,261	\$63,447	\$61,002	\$62,598	\$62,491	\$57,588	\$55,717	\$2,076,413
License Fee	\$60,200	\$63,600	\$72,800	\$72,600	\$72,600	\$63,800	\$56,200	\$802,800
Riverboat Admission Tax								\$297,885
Casino Gaming Wagering Tax	\$367,455	\$13,343	\$3,204,429	\$4,905,371	\$6,146,762	\$7,858,282	\$9,057,961	\$31,186,149
Total		\$360,170	\$3,845,398	\$5,606,556	\$6,872,521	\$8,575,804	\$9,766,333	\$58,147,370
City of Dubuque								
Pari - Mutuel Tax	\$55,804	\$47,577	\$46,432	\$44,225	\$43,228	\$40,800	\$38,765	\$2,339,727
Uncashed Mutuel Tickets								\$65,923
Grants		\$536,000	\$2,430,000	\$3,486,000	\$3,710,000	\$4,396,000	\$5,116,000	\$20,611,500
Rent	\$40,000	\$36,667						\$436,667
Rent (.5% Of Coin In)		\$28,954	\$1,530,580	\$1,971,299	\$2,267,119	\$2,673,458	\$2,785,633	\$11,257,043
Riverboat Admission Tax		\$1,668	\$101,431	\$127,306	\$144,692	\$168,723	\$179,564	\$334,997
Casino Gaming Wagering Tax	\$95,804	\$650,866	\$4,108,443	\$5,628,830	\$6,165,038	\$7,278,981	\$8,119,962	\$723,384
Total		\$95,804	\$4,108,443	\$5,628,830	\$6,165,038	\$7,278,981	\$8,119,962	\$35,769,241
County of Dubuque								
Pari - Mutuel Tax	\$55,804	\$47,577	\$46,432	\$44,225	\$43,228	\$40,800	\$38,765	\$2,339,727
Uncashed Mutuel Tickets								\$65,923
Casino Gaming Wagering Tax	\$55,804	\$49,245	\$101,431	\$127,306	\$144,692	\$168,723	\$179,564	\$723,385
Total		\$55,804	\$147,663	\$171,531	\$187,919	\$209,523	\$218,329	\$3,129,034
Charitable Organizations								
Grants		\$268,000	\$1,215,000	\$1,743,000	\$1,855,000	\$2,198,000	\$2,558,000	\$10,149,500
Employees								
Payroll, Taxes & Benefits	\$1,485,815	\$2,106,799	\$5,080,374	\$5,677,942	\$6,418,073	\$6,808,871	\$7,343,573	\$52,602,933
DGP Kennels & Owners								
Purses (Pari - Mutuel)	\$474,968	\$475,283	\$474,215	\$452,214	\$451,529	\$437,938	\$420,078	\$16,328,963
Purses Casino		\$22,183	\$1,201,529	\$1,431,084	\$1,701,045	\$2,053,915	\$2,134,740	\$8,544,496
Total	\$474,968	\$497,466	\$1,675,744	\$1,883,298	\$2,152,574	\$2,491,852	\$2,554,818	\$24,873,459
Bondholders								
Principal Paid (Track)								\$1,050,000
Interest Paid (Track)								\$4,832,231
Principal Prepaid (Track)								\$6,850,000
Principal Paid (Ice Harbor)								\$4,000,000
Interest Paid (Ice Harbor)								\$66,572
Total								\$16,798,803
Grand Total	\$2,479,846	\$3,932,546	\$16,072,822	\$20,711,157	\$23,651,126	\$27,563,033	\$30,561,015	\$201,470,340

Fiscal Year	1985	1986	1987	1988	1989	1990	1991	1992	1993
Attendance									
Handle	576,205	653,170	592,710	586,132	545,766	355,540	284,010	202,175	127,126
Adjusted Gross Receipts	\$41,690,178	\$63,644,286	\$65,773,036	\$66,892,630	\$65,165,531	\$41,219,405	\$28,179,552	\$19,867,762	\$12,146,917
State of Iowa									
Pari - Mutuel Tax	\$2,084,509	\$3,182,214	\$3,288,662	\$3,344,632	\$3,258,277	\$1,648,776	\$845,387	\$596,033	\$269,429
Admission Tax	\$284,704	\$323,421	\$294,660	\$290,935	\$270,558	\$175,771	\$140,363	\$99,644	\$61,975
Uncashed Mutuel Tickets	\$257,508	\$239,943	\$296,965	\$290,015	\$113,199	\$144,318	\$134,732	\$101,117	\$76,512
License Fee	\$29,400	\$37,600	\$37,000	\$38,200	\$37,800	\$38,800	\$38,000	\$37,200	\$47,000
Riverboat Admission Tax									
Casino Gaming Wagering Tax							\$214,234	\$83,651	
Total	\$2,656,121	\$3,783,178	\$3,917,277	\$3,963,782	\$3,679,834	\$2,007,665	\$1,372,716	\$917,645	\$454,916
City of Dubuque									
Pari - Mutuel Tax	\$208,451	\$318,221	\$328,865	\$334,463	\$325,828	\$206,097	\$140,898	\$99,339	\$60,735
Uncashed Mutuel Tickets					\$62,932	\$2,991			
Grants									
Rent	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$337,500	\$40,000
Rent (.5% Of Coin In)									
Riverboat Admission Tax									
Casino Gaming Wagering Tax							\$235,296	\$99,701	
Total	\$248,451	\$358,221	\$818,865	\$524,463	\$428,760	\$249,088	\$316,194	\$576,540	\$100,735
County of Dubuque									
Pari - Mutuel Tax	\$208,451	\$318,221	\$328,865	\$334,463	\$325,828	\$206,097	\$140,898	\$99,339	\$60,735
Uncashed Mutuel Tickets									
Casino Gaming Wagering Tax									
Total	\$208,451	\$318,221	\$328,865	\$334,463	\$388,760	\$209,088	\$140,898	\$99,339	\$60,735
Charitable Organizations									
Grants			\$150,000	\$50,000					
Employees									
Payroll, Taxes & Benefits	\$1,352,233	\$2,021,193	\$2,156,763	\$2,317,229	\$2,387,679	\$2,087,367	\$1,970,992	\$1,814,127	\$1,573,903
DGP Kennels & Owners									
Purses (Pari - Mutuel)	\$1,276,916	\$1,943,180	\$2,009,091	\$2,041,179	\$1,990,166	\$1,304,374	\$1,050,027	\$875,004	\$652,802
Purses Casino									
Total	\$1,276,916	\$1,943,180	\$2,009,091	\$2,041,179	\$1,990,166	\$1,304,374	\$1,050,027	\$875,004	\$652,802
Bondholders									
Principal Paid (Track)		\$175,000	\$200,000	\$200,000	\$225,000	\$250,000			
Interest Paid (Track)	\$1,113,181	\$785,775	\$766,700	\$744,900	\$723,100	\$698,575			
Principal Prepaid (Track)									
Principal Paid (Ice Harbor)					\$4,075,000	\$2,775,000			
Interest Paid (Ice Harbor)					\$4,000,000	\$4,000,000			
Total	\$1,113,181	\$960,775	\$966,700	\$944,900	\$948,100	\$5,023,575	\$6,841,572		
Grand Total	\$6,855,353	\$9,384,768	\$10,347,561	\$10,176,016	\$9,823,299	\$10,881,157	\$11,792,399	\$4,395,155	\$2,843,000

LONG RANGE PLANNING MEETING MINUTES JULY 18, 2001

The subcommittee, Chair Hansen and Commissioners Hamilton and Sealock, met on Wednesday, July 18, 2001 at the Sheraton Four Points, 4800 Merle Hay Road, Des Moines, Iowa. Staff members present were Jack Ketterer, Administrator; Karyl Jones, Director of Occupational Licensing; Terry Hirsch, Director of Riverboat Gambling; and Julie Herrick, Recording Secretary. The following individuals were also present: Bruce Wentworth, General Manager of Dubuque Greyhound Park & Casino (DGP&C); Verne Welch, General Manager of Harveys Casino Hotel and Bluffs Run Casino (BRC); Ken Bonnet, General Manager of Mississippi Belle II; Jane Bell, Director of Government Relations for Ameristar Casino; Curt Beason, legal counsel for Isle of Capri; Wes Ehrecke, Executive Director of the Iowa Gaming Association. Other individuals in attendance included Dick Thornton, Steve Roberts, Verne Schroeder and Julie Evans.

Chair Hansen called the meeting to order at 5:00, and moved to the first agenda item, approval of the minutes from the June 20, 2001 meeting. He called on Commissioner Sealock, who had a change on page three of the minutes. She stated that she asked whether Mr. Ketterer and Ms. Vanderloo were still meeting with the Senate Government Committee quarterly in the hope that since the Chair and Vice Chair were not meeting with the Governor quarterly, as she is concerned as to how the Governor is getting his information concerning the Racing & Gaming Commission. Her understanding of Mr. Ketterer's response is that he provides information to the Director of the Department of Inspections and Appeals (DIA) during monthly meetings with all DIA department heads. The Director of DIA then meets with a representative of the Governor, who then relates the information to the Governor.

Chair Hansen advised Commissioner Sealock that following the last long-range planning meeting, he sent a copy of his letter contained in the Annual Report to several individuals on the Governor's staff. He feels the Commission will have to more persistent with the Governor in suggesting a closer working relationship.

Chair Hansen stated that the agenda is comprised of the major issues from the previous meeting and the minutes. During the last meeting, it was determined that once a final draft of a long-range planning document had been prepared, it would be submitted to selected former Commission members for review and input. Additionally, input or comments would be sought from horse and greyhound representatives, occupational licensees through IRGC staff, and the Gaming Association. Mr. Ketterer advised Chair Hansen that IRGC staff is currently involved in a quality improvement self-assessment process, and could include portions of this report in discussions with the above-named groups while gathering information for the self-assessment process. Chair Hansen stated that he would rely on Mr. Ketterer to handle the above groups, and Mr. Ehrecke to work with the licensees to gather their input.

Chair Hansen moved to the next agenda item – ownership concentration and referred to charts distributed during the vendor compliance meeting. (Copies attached) He pointed out there are six single entity licensees, which comprise 46% of the licenses, 66% of the owners and control 46.4% of the market. The three consolidated licensees comprise 33% of the market and control 53.6% of the volume. Chair Hansen stated these facts should be kept in mind as the Commission reviews general policies, particularly when there is a rule restricting the state to 13 licensees, in the event the Commission is faced with further consolidations.

Chair Hansen moved to a discussion of the proposed database. With the assistance of Mr. Ehrecke, he has attempted to collect data from 1998 on the various categories set out on the agenda (attached). It is his intent that IRGC staff establish a database containing this information which would be placed on the Commission's website. Mr. Ketterer asked Mr. Ehrecke to e-mail the information to the Commission's office.

Chair Hansen moved to Communications with the Governor's Office. He noted that previous Governors would meet quarterly with the Chair and Vice Chair of the Commission to be apprised of issues before the Commission. Chair Hansen indicated that he had suggested the continuation of such meetings approximately 2½ years ago. At that time he was advised the Governor was trying to determine with which Boards/Commissions he should meet. He indicated the Commission should again seek to re-establish the quarterly meetings, as well as a special meeting in November to discuss the Commission's legislative proposals.

Chair Hansen indicated his belief that the Commission's review of the licensees' financial statements should be more than a cursory review in light of the limitation on the number of licensees, and the Legislators' expectations that tax revenue will be maximized.

Chair Hansen moved on to the next agenda item – attendance at national meetings by Commission members. He asked Mr. Ketterer if he had been able to determine how much the Commission members have been spending on travel expenses. Mr. Ketterer distributed a handout setting out the Commissioners' travel expenses for fiscal years 2000 and 2001, and another listing various conferences relating to racing and gaming to be held in 2001 and 2002. Chair Hansen stated that his interpretation of the Code states that the Commission members, collectively, have a total of \$30,000 to be used for travel and expenses. During fiscal year 2000, they spent \$9,000, and have spent \$8,700 this year. He feels the Commission members would benefit from attending national meetings. Mr. Ketterer stated that the meetings listed are a small percentage of the meetings held, but are those that are well attended and educational, in his opinion, for Commission members to attend. He indicated that if he becomes aware of others, he would advise the Commission of those as well. Mr. Ketterer noted that the World Gaming Congress in Las Vegas would conflict with the October Commission meeting. He indicated that Commissioner Hamilton has expressed an interest in attending the Racing Symposium in Tucson in December.

Chair Hansen asked Mr. Thornton if the Department of Natural Resources Board had similar issues. Mr. Thornton stated that he felt Chair Hansen's interpretation of the Code was accurate, and that if the Commission does not spend the money, it reverts to the General Fund.

Mr. Ketterer stated that the Executive Council has always approved the Commission's travel requests, but noted that Revenue and Finance has specific categories that all expenditures have to fit into. He pointed out that Revenue and Finance has different levels of cities, with different meal allowances for each level, which determine how much individuals are reimbursed.

Chair Hansen noted that the purchasing policy subcommittee had met just prior to this meeting, so that particular agenda item was self-explanatory.

With regard to the Commission's Legislative Efforts, Chair Hansen stated that the first item under this topic should read "Commission's subcommittee to meet with the Iowa Gaming Association in early October" as he feels most of the issues the two groups are concerned about are similar. He also suggested a meeting with legislative leaders in early November to discuss the Commission's legislative proposals. Chair Hansen stated that he sent out 16 letters last January to various legislators and only received acknowledgements from two.

Chair Hansen moved on to the various issues to be addressed with the legislature, one of which is the funding of the Gamblers Treatment Program. Commissioner Sealock asked Mr. Ehrecke if he was successful in meeting with the Governor regarding the Gamblers Treatment Program. Mr. Ehrecke advised that he had met with Greg Nichols, the Legislative Affairs Coordinator for the Governor, on Monday, July 16th. Mr. Nichols asked Mr. Ehrecke to pull together a packet of material covering the issues for the Governor to review. They have scheduled another meeting for the following Monday to go over the materials. The meeting with the Governor probably will not take place until after the State Fair. Mr. Ehrecke noted that the Gambling Treatment Program for 2002 is \$1.6 million, compared to \$2 million for 2001. He also indicated that a letter would be going out to all of the legislators outlining the impact of the 55% cut in funding to the Gambling Treatment Program and the providers.

Commissioner Hamilton asked Mr. Ehrecke about the cost of Iowa State Extension (ISE) operating the 1-800-Bets-Off line versus Tom Coates. Mr. Ehrecke stated that ISE's contract is \$59,000 versus the \$110,000 previously paid to Mr. Coates. Chair Hansen noted the 50% reduction in operating costs was absent from Des Moines Register reporter Bill Petroski's article regarding the change in the help line operator.

Mr. Ehrecke stated that he recently met with the new coordinator for the help line. He noted that the Extension Service also operates a Teen Line, Family Help Line and a Family Concerns Help Line. Mr. Ehrecke stated that she was very cooperative; wanted to know what could be done to work with the treatment providers, and personally called all

of the treatment providers. The ISE system is computerized, which should prove to be helpful in collecting data.

Commissioner Hamilton asked who would be staffing the phone lines. Mr. Ehrecke indicated the phone lines would be staffed 24/7, 365 days a year. The staff is trained to handle calls received on any one of the four help lines. They are also able to transfer the call to a treatment provider in the area, and can stay on the line to insure that the phone is answered.

Commissioner Hamilton asked if this was the process under the previous help line operator. Mr. Ehrecke stated there were concerns that Mr. Coates was attempting to help the individuals calling in with financial issues rather than connecting them to a treatment provider to get help with their gambling problem.

Chair Hansen stated that the public should be made aware that the cost of operating the gambling problem help line declined by 50% due to a change in the operator. Chair Hansen further noted that employees of the former operator, Tom Coates, were not professionally trained to handle crises other than credit situations.

Ms. Evans pointed out that Mr. Petroski is aware of all of the issues just discussed, and that she has discussed this issue with him a number of times, but he will not write the story. She indicated that he is in an anti-gaming mode, rather than a proponent or even neutral mode. Ms. Bell suggested seeking out another reporter. Ms. Evans stated that maybe the best option would be a letter to the editor or an Opinion Editorial from IRGC addressing the change in the help line operator, and the concerns over a growing industry and declining resources for people seeking treatment. Ms. Evans offered to draft the letter if that was the subcommittee's wishes. Chair Hansen accepted the offer.

Mr. Schroeder stated that the letter should be sent to every member of the House and Senate to educate them on the differences in the operation of the help line, that the calls are being sent directly to a counselor trained to answer questions concerning gambling or other issues whereas in the past, the calls were not forwarded to the appropriate individuals.

Chair Hansen called for any further comments concerning the issues listed. Mr. Ketterer referred to the last two items – Oppose Internet Gaming and Oppose Account Wagering. He indicated these are correct statements in their present forms as both are illegal in Iowa, but feels the word "oppose" should be changed to "monitor". He noted that Nevada has passed a law legalizing Internet gaming, but the Gaming Control Board is not going to pass rules until the gaming industry can show them that they can control minors on the other end, and sufficiently regulated. Chair Hansen concurred with Mr. Ketterer's suggestion.

Mr. Bonnet, referring to penalties for underage gamblers, stated that he is aware of the difficulty in assessing fines on the underage individual, but feels the issue should be

pushed. Chair Hansen stated that he included a suggestion of suspending an underage gambler's drivers' license in the Commission's legislative proposal two years ago. He noted that the issue was discussed at the first meeting, and the Commissioners were informed there are interstate compacts between states enforcing sanctions against drivers' licenses in other states. Chair Hansen stated that he feels it is unfair for the Commission to fine the licensee \$10,000 while the underage gambler walks away with a \$100 fine.

Mr. Welch stated that Harveys is looking at suing the underage gambler in small claims court to recoup some of the fine they are required to pay. He indicated this might be one way to deter the underage gambler.

Mr. Ehrecke commented on the letter to the editor from the Tribal Chairman of the Winnebago tribe touting their various programs. Ms. Evans noted that it was misleading in that it also stated the tribe paid more state taxes when in fact they pay no taxes. Chair Hansen stated that he was contemplating inviting him to attend the meeting in Sioux City and address the Commission.

Commissioner Hamilton stated that several individuals commented to her about the amount of money gambling brought into the state after reading a newspaper article following the Commission's June meeting.

Chair Hansen stated that he was also composing a letter in response to a column by David Yepsen stating that the state is finally seeing some benefits from the gaming industry. He noted that the gaming industry has contributed almost \$4 billion to the State over the last decade through taxes and economic enhancements. Chair Hansen noted that Mr. Petroski did not mention Bettendorf's presentation to the Commission at the meeting held in Bettendorf, nor did he mention Dubuque's when they made their presentation.

Hearing no further comments, Chair Hansen adjourned the meeting.

MINUTES TAKEN BY:


JULIE D. HERRICK CPS

**IOWA RACING AND GAMING COMMISSION
MINUTES
SEPTEMBER 20, 2001**

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, September 20, 2001, at Comfort Suites at Living History Farms, 11167 Hickman Road, Urbandale, Iowa. Commission members present were Rita Sealock, Chair; Bill Hansen, Vice Chair, and members Diane Hamilton, Jim Hassenfritz, and Mike Mahaffey.

Chair Sealock called the meeting to order at 8:00 AM and requested a motion to approve the agenda. Commissioner Hamilton moved to approve the agenda as presented. Commissioner Mahaffey seconded the motion, which passed unanimously.

Chair Sealock requested a motion to go into Executive Session. Commissioner Mahaffey moved to go into Executive Session for the purpose of receiving background information from the Division of Criminal Investigation pursuant to Iowa Code Section 21.5(g). Commissioner Hassenfritz seconded the motion, which carried unanimously.

Following the conclusion of the Executive Session and a brief break, Chair Sealock called for a motion regarding the minutes from the August 21, 2001 Commission meeting. Commissioner Hamilton moved to approve the minutes as submitted. Commissioner Hassenfritz seconded the motion, which carried unanimously.

Chair Sealock called on Jack Ketterer, IRGC Administrator, for announcements. Mr. Ketterer provided the following information regarding upcoming Commission meetings:

- October Commission Meeting – October 18, Dubuque, Dubuque Greyhound Park & Casino (Submissions due by October 4, 2001)
- November Commission Meeting – November 15, Des Moines
- December – NO MEETING

He advised that a location has not been selected for the November meeting.

Chair Sealock called on Mr. Ketterer to address the rules before the Commission for final adoption. Mr. Ketterer advised that the proposed rule changes are minor. The first item, amending 6.5(1), paragraph "n", allows the gaming representatives and stewards to issue a short suspension in addition to, or in lieu of, a fine in the event an applicant falsifies their license application. The second rule change before the Commission rescinds and reserves subrule 9.4(5), paragraph "m", which pertained to harness racing, and required papers to be in the Racing Office. Mr. Ketterer explained this requirement is typical of other racing breeds, but the United States Trotting Association has provided electronic access to the information on the foal's papers, and has removed this requirement from its rules. Mr. Ketterer recommended approval of the rules as presented.

week at Dubuque Greyhound Park & Casino (DGP&C). They are also requesting to continue year-round simulcasting.

As there were no questions concerning DRA's racing license renewal application, Chair Sealock requested a motion. Commissioner Mahaffey moved to approve DRA's racing license renewal application and request for live and simulcasting race dates. Commissioner Hassenfritz seconded the motion, which carried unanimously. (See Order No. 01-128)

Commissioner Hansen noted that track revenues decreased from 4.8% to 4.3%, as well as sustaining a loss of \$500,000 on the track. Additionally, state taxes have increased from \$8.2 million to \$9.4 million. Mr. Wentworth pointed out that taxes would increase another 2% beginning in 2002, taking another \$800,000 - \$1 million in state taxes.

Chair Hansen, noting DRA's negative posture, asked Mr. Wentworth how long DRA could endure the escalating tax increase without impairing the long-range stature of the operation. Mr. Wentworth stated the real impact is not to the viability of the business, but to the viability of their purpose, which is to lessen the burden of local government and charitable organizations. Additionally, there will be less money to provide upkeep on the facility. Mr. Wentworth noted that DGP&C has had five years of market increases; but noted that at this point, attendance is 1% below last year, indicating that the market is leveling off.

Mr. Wentworth advised the Commission that during its regular meeting on Tuesday, September 18th, the DRA board voted to approve sending \$25,000 to the United Way September 11 Fund.

At this time, Mr. Wentworth presented the following contracts for Commission approval:

- Medical Associates – Health Insurance (Revised)
- Sysco of Iowa – Food Purchases (Revised)
- Lamar Companies – Billboard Advertising
- Lamar Companies – Billboard Advertising
- Lamar Companies – Billboard Advertising
- Lamar Companies – Billboard Advertising
- Brandl – Promotional Items

As there were no questions concerning the contracts, Chair Sealock requested a motion. Commissioner Hassenfritz moved to approve the contracts as submitted by DGP& C. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 01-129)

Chair Sealock called on Iowa West Racing Association (IWRA). Tony Payne, Executive Director, submitted IWRA's request for live racing dates at Bluffs Run Casino (BRC)