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Senate Judiciary Committee
House Bill No. 1342
Relating to State Gaming Commission Authority
March 20, 2023, Peace Garden Room

My name is Deb McDaniel, I am the Director of Gaming for the Office of Attorney General. I am here to explain the consequences to House Bill 1342.

Should this bill pass as written there will need to be a fiscal note as the Gaming Division will need another FTE and a complete computer re-write it also leaves this game type un-auditable.

- Electronic pull tabs were presented to the legislators in 2017 under the premise that these are just another way to play paper pull tabs and would be conducted the same way, which for paper pull tabs includes commingling deals and closing at the end of the quarter. Allowing games to continue indefinitely moves toward slot machine play.
- These games need to be closed at some point so they can be accounted for in total and reported on a tax return, just as paper pull tabs are. The only way to audit the game is to close it to determine the actual adjusted gross proceeds total. Actual adjusted gross proceeds are then compared to total cash profit and actual bank deposit totals to determine any shortages.
- Simply generating a report does not provide final information on total activity for all deals downloaded. These games are commingled therefore there is no way to tell which gaming stamp/serial numbers are still in play and being carried into the next quarter. The final information for each prize paid, total prizes, and final game information is only available when each game is closed. Closing the games by the end of the quarter allows the audit of the activity to occur in total.
- The organizations only get charged for each ticket sold/played by a player. There is no cost to the organization for unsold tickets; even if a deal is automatically downloaded near the end of the quarter and a large amount of unsold remain. These games do not need to be designed with starting ticket counts of 15,000, manufactures could provide games with smaller ticket counts as options for organizations in smaller sites, the manufacturers/distributors have chosen to design them this way.
- There is no added cost to the organization by having to go to the site to close the games at the end of the quarter. The organization's employee/runner is required to go to the site at a minimum of every seven days to withdraw currency anyway for electronic pull tabs (and any paper pull tab devices at the site). The rules allow flexibility with closing electronic pull tab games anytime withing fourteen days from the end of the quarter. Generating the Closed Game Summary Report is just a "push of the button".

Electronic pull tabs were introduced in the 2017 session as paper pull tabs in electronic form. E-tabs have been treated the same as paper pull tabs for reporting requirements. The state allows eighteen other game types all closed and reported at the end of each quarter for auditing, reporting, and tax payment purposes.

With this change electronic pull tabs would need additional monitoring of state gaming stamps/serial numbers and reporting requirements. This would also require a complete overhaul of the existing gaming computer system. Changing the reporting requirement would no longer mimic pull tabs it would then need to be reclassified as an electronic game of chance and would more closely mimic slot machine play as games would be played over and over with no accounting.

Charitable gaming reporting is designed to be reported quarterly. All state paperwork, systems, and rules take this period as the basis on which all gaming regulation is based. Passing this bill would not only require the Gaming Division to ignore this important regulatory requirement for e-tabs, but would require organizations to likely double their e-tab paperwork, and create potential security risks due to the lack of digital e-tab inventory tracking that would occur. Currently, if issues arise we only need to audit one-quarter worth of activity to pinpoint issues. Allowing these games to not be closed could allow revisions to the code that could potentially influence payouts or the number of pull tabs in a deal. Having a quarter close protects players, organizations, and our office, allowing us to find issues faster and minimize potential damages.

Paper pull tabs require two deals of pull tabs comingled and placed into play at the beginning of a quarter. Deals are added during the quarter as needed and all games must close and be reported at the end of the quarter. If there are remaining tickets these tickets are reported as unsold, and our office is able to verify the correct reporting of each deal of tickets with the state gaming stamp/serial number. It is the same for the electronic pull tabs. Deals are started at the beginning of the quarter and closed and reported at the end of the quarter. All other game types, Bingo, raffle activity, Club Specials, Tip, Seal, and punch Boards, Prize boards, Sports Pools, Twenty-One, Calcuttas, Paddlewheels and Poker are reported each quarter on a gaming tax return as required by NDCC 53-06.1-12. If this change is to take place electronic pull tab games would continuously be played with only a snap-shot of activity at a certain time. This office would lose all audit function for this game type allowing games to be placed without notice and possibly without a state gaming stamp, games could be closed randomly with any unsold tickets unaccounted for, comingled tickets possibly never be reported, and games closed purposely without prizes paid out.

I also believe that this would be the incorrect section to require this activity, it should be placed under NDCC 53-06.1-08.2 or NDCC 53-06.1-12 as the Gaming Commission must adopt rules in accordance with chapter 28-32.