

**SB 2390**  
**Senate Judiciary Committee**  
**Submitted by Bill Kalanek, CGAND**  
**February 8, 2023**

Madam Chair and members of the Senate Judiciary Committee. My name is Bill Kalanek and I am here in opposition to Senate Bill 2390.

I represent the Charitable Gaming Association of North Dakota (CGAND), a trade association for charities operating gaming throughout ND. Senate Bill 2390 is intentionally designed to restrict, damage, and ultimately eliminate charitable gaming.

**53-06.1-08.2. Electronic pull tab device requirements.**

Each deal may not pay out more than eighty - eight percent of gross proceeds.

- There is no need to mandate payout percentages because free market competition is already providing these choices for gaming organizations.
- Restrictions on percent of hold are not in place for any other game type.
- Although maybe well-intentioned, lowering the payout percentage doesn't necessarily result in a net revenue increase.
- Statistically, play falls off when you lower the percentage, and the charities have worked with state regulators to come up with the 90% max payout.
- There are no current restrictions for lowering the payout percentage. Charities already have the option to run games at 88% if they choose.

**53-06.1-11. Gross proceeds - Required donations - Allowable expenses - Rent limits.**

2. If the annual gross proceeds of a charitable organization exceed fifteen thousand dollars, the charitable organization shall donate five percent of its annual gross proceeds for the benefit of children up to the age of twelve. A charitable organization may designate a recipient at its discretion which may include a children's advocacy center, early childhood service provider, or child care service provider. No more than ten percent of the donation may be used for recreational purposes. The donations must be reported on a form prescribed by the attorney general.

Gross Proceeds (GP)	\$15,000.01
5% of GP	\$ 750.00
AGP (Adusted Gross Proceeds) after prizes AVG 11% of GP	\$ 1,650.00
State tax (12% of AGP)	\$ 198.00
<b>AGP after tax</b>	<b>\$ 1,452.00</b>
Allowable expense 50%	\$ 726.00
Eligible use 50%	\$ 726.00
Required to donate 5% of GP	<b>\$ 750.00</b>
Eligible use funds left for the charity	<b>\$ (24.00)</b>

- This addition to the century code will in effect require every gaming charity to relinquish more income to special interest than it will be able to keep for its charitable purpose.
  - The addition of special consideration for a very small subsection of the population already served by countless charitable organizations is unnecessary and counterproductive to individual charitable missions.
  - Charities are set up by citizens motivated to serve a particular civic need and they would no longer be able to serve their intended population.
- 3.** Allowable expenses may be deducted from adjusted gross proceeds. The allowable expense limit is ~~sixty~~ fifty percent of the adjusted gross proceeds per quarter.
- This seems intended to create financial difficulties for charities
  - Contrary to rumor, higher revenue does not automatically equate to lower expenses
  - Inflation and higher wages required to find and maintain employees already make it difficult for charities to cover expenses at sixty percent.
  - Even if a charity can operate at lower expense percentages, they are still using the funds for their charitable purpose.

For the past 42 years North Dakota has developed a responsible and highly regulated system for charitable gaming to benefit charitable missions that serve your local communities. That is why CGAND is asking you to consider a **Do Not Pass** recommendation on **SB 2390**.

Thank you, Madam Chair and members of the committee, for your time and thoughtful consideration I am happy to answer any additional questions you may have.