

1999 SENATE JUDICIARY
SB 2132

1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2132

Senate Judiciary Committee

Conference Committee

Hearing Date January 20, 1999

Tape Number	Side A	Side B	Meter #
1	x		0 - 4467
2-8-99	1	x	1676 - 3700
Committee Clerk Signature <i>Jackie ToHmon</i>			

Minutes:

SB2132 relates to games of chance.

SENATOR WATNE opened the hearing on SB2132. at 9:05 A.M.

All were present except SENATOR STENEHJEM AND SENATOR TRAYNOR.

CHUCK KELLER, State Gaming Commission, testified in support of SB2132. Testimony attached.

SENATOR WATNE asked how you developed criteria.

CHUCK KELLER stated that the criteria would include factors such of the volume of activity on each table, the length of time each table was active or the profit on the table must at least equal or exceed the amount of rent paid.

SENATOR LYSON asked if these changes were based on the meetings you had across the state.

Page 2

Senate Judiciary Committee

Bill/Resolution Number SB2132

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CHUCK KELLER stated that a survey was done with local gaming sites and organizations and local law enforcement throughout the state. Our gaming advisory board includes a large spectrum of the state and they are all in agreement with these changes.

SENATOR LYSON asked if the taxes are collected quarterly.

CHUCK KELLER stated that was correct.

SENATOR LYSON asked if the taxes were not paid in a timely manner, why they didn't just shut the site down.

CHUCK KELLER stated that to shut the organization down, an administrative complaint has to be sent and then due process is given to the organization and this can take time. This could take 90 - 120 days.

SENATOR LYSON asked if we could have something in this law that if the quarterly taxes weren't paid they would be shut down.

CHUCK KELLER stated that he could check with the legal counsel, Robert Bennett, and inquire of him what other remedies may be available to address this in a different manner.

CHUCK KELLER proposed amendments. Amendments attached. He especially talked about the manufacturer. There has been a problem with the software and dispensing devices.

SENATOR NELSON asked where the copyright and federal law comes in on this issue.

CHUCK KELLER stated the distributors that have been allowed in this practice are being pursued by manufacturers.

SENATOR NELSON asked how many manufacturers there are in the state.

CHUCK KELLER stated about 10.

CHUCK KELLER also stated that if this bill is passed he would provide the carrier of the bill with a color coded draft of the bill and amendments.

AL STENEHJEM, NDHA, testified in support of SB2132. This is the first time the state, charitable groups and sites have gotten together and agreed on changes. I have an amendment to increase the rent on some sites. The amendment is attached. Also in the amendment is an increase for rent to the bar owner for taking the responsibility of redeeming the tickets.

TODD KRANDA, Charitable Gaming Association, testified in support of SB2132 with amendments. Amendment is attached. Percentage based rent, rent based upon the success of the operations.

SENATOR WATNE asked if the rent would fluctuate each month.

TODD KRANDA stated that a formula would be developed from the history of the gaming profits.

JOSEPH DIRK, Moose and North Dakota Counsel of Clubs, testified in support of SB2132. They support the provision on the trust fund contingency. The Counsel of Clubs consist of fraternal and veterans organizations. We have about 100 organizations in our group.

SENATOR WATNE CLOSED the hearing on SB2132.

February 8, 1999 Tape 1, Side B

Discussion on Amendments.

SENATOR WATNE made a motion on Amendments, SENATOR NELSON seconded. Motion carried. 5 - 0 - 1

Page 4

Senate Judiciary Committee

Bill/Resolution Number SB2132

Hearing Date ~~January 20, 1999~~

2-8-99

SENATOR WATNE made a motion on Further Amendments, SENATOR LYSON seconded.

Motion carried. 5 - 0 - 1

SENATOR WATNE made a motion on Further Amendments, SENATOR LYSON seconded.

Motion carried. 6 - 0 - 0

SENATOR WATNE made a motion on DO PASS AS AMENDED, SENATOR BERCIER

seconded. 6 - 0 - 0

SENATOR NELSON will carry the bill.

FISCAL NOTE

(Return original and 10 copies)

Bill/Resolution No.: _____ Amendment to: SB 2132

Requested by Legislative Council Date of Request: _____

1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts.

Narrative:

This bill would consolidate and clarify the gaming law; require an organization that discontinues gaming and has undistributed net proceeds to file an action plan with the Office of Attorney General; enable the administrative rules to set criteria for determining the number of twenty-one tables that is necessary for a site on which rent is based; enable a veterans organization to use net proceeds to establish a special trust fund to maintain a veterans cemetery; provide the Office of Attorney General with authority to require an organization in poor financial condition to make monthly estimated tax payments; and close a licensing loophole by clarifying the definition of a "manufacturer" of pull tab dispensing devices.

This bill would not expand gaming in North Dakota.

2. State fiscal effect in dollar amounts:

	1997-1999 Biennium		1999-2001 Biennium		2001-2003 Biennium	
	General Fund	Special Funds	General Fund	Special Funds	General Fund	Special Funds
Revenues:	-0-	-0-	16,000	-0-	16,000	-0-
Expenditures:	-0-	-0-	-0-	-0-	-0-	-0-

3. What, if any, is the effect of this measure on the appropriation for your agency or department:

- a. For rest of 1997-1999 biennium: None
- b. For the 1999-2001 biennium: None
- c. For the 2001-2003 biennium: None

4. County, City, and School District fiscal effect in dollar amounts:

1997-1999 Biennium			1999-2001 Biennium			2001-2003 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

If additional space is needed, attach a supplemental sheet.

Signed Charles W. Keller

Typed Name Charles W. Keller

Date Prepared: 3/2/99

Department Office of Attorney General

Phone Number 328-4482

FISCAL NOTE

(Return original and 10 copies)

Bill/Resolution No.: SB 2132 Amendment to: _____

Requested by Legislative Council Date of Request: 12-30-98

- Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts.

Narrative:

This bill would primarily clarify and consolidate the gaming law. The bill would require an organization that discontinues gaming and has undistributed net proceeds to file an action plan with the Office of Attorney General; enable the administrative rules to set criteria for determining the number of twenty-one tables that is necessary for a site on which rent is based; enable a veterans organization to use net proceeds to establish a special trust fund to maintain a veterans cemetery; and provide the Office of Attorney General with authority to require an organization in poor financial condition to make monthly estimated tax payments and assess a monetary fine on an organization that has a local permit.

This bill would not expand gaming in North Dakota.

- State fiscal effect in dollar amounts:

	1997-1999 Biennium		1999-2001 Biennium		2001-2003 Biennium	
	General Fund	Special Funds	General Fund	Special Funds	General Fund	Special Funds
Revenues:	-0-	-0-	-0-	-0-	-0-	-0-
Expenditures:	-0-	-0-	-0-	-0-	-0-	-0-

- What, if any, is the effect of this measure on the appropriation for your agency or department:

- For rest of 1997-1999 biennium: None
- For the 1999-2001 biennium: None
- For the 2001-2003 biennium: None

- County, City, and School District fiscal effect in dollar amounts:

1997-1999 Biennium			1999-2001 Biennium			2001-2003 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

If additional space is needed, attach a supplemental sheet.

Signed Charles W. Keller

Typed Name Charles W. Keller

Date Prepared: 1/6/99

Department Office of Attorney General

Phone Number 328-4482

Date: 2-8-99
Roll Call Vote #: SB 2132

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. _____

Senate Judiciary _____ Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken further Amendments

Motion Made By Watne Seconded By Lyson

Senators	Yes	No	Senators	Yes	No
Senator Wayne Stenehjem	X				
Senator Darlene Watne	X				
Senator Stanley Lyson	X				
Senator John Traynor	X				
Senator Dennis Bercier	X				
Senator Carolynn Nelson	X				

Total (Yes) 5 No 0

Absent 1

Floor Assignment _____

Date: 2-8-99
Roll Call Vote #: 3

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB2132

Senate Judiciary Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Further Amendments

Motion Made By Watne Seconded By Lyson

Senators	Yes	No	Senators	Yes	No
Senator Wayne Stenehjem	X				
Senator Darlene Watne	X				
Senator Stanley Lyson	X				
Senator John Traynor	X				
Senator Dennis Bercier	X				
Senator Carolynn Nelson	X				

Total (Yes) 6 No 0

Absent 0

Floor Assignment _____

Date: 2-8-99
Roll Call Vote #: 4

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB2132

Senate Judiciary Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do PASSED AS Amended

Motion Made By Watne Seconded By Bercier

Senators	Yes	No	Senators	Yes	No
Senator Wayne Stenehjem	X				
Senator Darlene Watne	X				
Senator Stanley Lyson	X				
Senator John Traynor	X				
Senator Dennis Bercier	X				
Senator Carolynn Nelson	X				

Total (Yes) 6 No 0

Absent 0

Floor Assignment ~~Carolynn Nelson~~ Nelson

REPORT OF STANDING COMMITTEE

SB 2132: Judiciary Committee (Sen. W. Stenehjem, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2132 was placed on the Sixth order on the calendar.

Page 3, line 8, after "who" insert "directly controls and manages development of and"

Page 3, line 9, after "software" insert "encoded on a processing chip that enables the device to operate"

Page 14, line 17, overstrike "twenty-five" and insert immediately thereafter "seventy-five"

Page 14, line 21, after "conducted" insert "involving a jar bar or dispensing device, but not both"

Page 14, line 22, overstrike "twenty-five" and insert immediately thereafter "seventy-five"

Page 14, line 23, after the period insert "If pull tabs is conducted involving both a jar bar and dispensing device, the monthly rent for pull tabs may not exceed an additional two hundred dollars."

Page 14, line 24, after the second "conducted" insert "involving a jar bar or dispensing device, but not both"

Page 14, line 25, overstrike "twenty-five" and insert immediately thereafter "seventy-five" and after the period insert "If pull tabs is conducted involving both a jar bar and dispensing device, the monthly rent for pull tabs may not exceed an additional three hundred dollars."

Page 19, line 10, remove "immediately"

Page 19, line 31, after "device" insert "and processing chip encoded with proprietary software"

Page 20, line 4, after "device" insert "and processing chip encoded with proprietary software"

Page 20, line 6, after the underscored period insert "A distributor may not duplicate a manufacturer's processing chip encoded with proprietary software."

Renumber accordingly

1999 HOUSE JUDICIARY

SB 2132

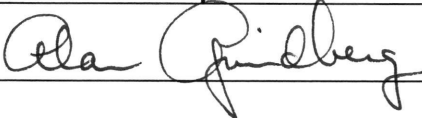
1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. : 2132

House Judiciary Committee

Conference Committee

Hearing Date : March 1, 1999

Tape Number	Side A	Side B	Meter #
1		X	26.8
Committee Clerk Signature 			

Minutes:

CHUCK KELLER (Gaming Comm.) Presented written testimony, a copy of which is attached.

JOE DIRK (ND Moose) The Moose Lodge favors this bill.

COMMITTEE ACTION

REP. MAHONEY moved to amend the bill by removing "an additional" on page 15, line 9>

Rep. Meyer seconded and the motion passed on an unanimous voice vote.

REP. MARAGOS moved that the committee recommend that the bill DO PASS AS

AMENDED. Rep. Hawken seconded and the motion passed on a roll call vote with 12 ayes, 0 nays and 3 absent. Rep. Koppelman was assigned to carry the bill on the floor.

Date: 3/1
Roll Call Vote #: 1

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2139

House JUDICIARY Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass as am

Motion Made By Maragos Seconded By Hawken

Representatives	Yes	No	Representatives	Yes	No
REP. DEKREY	✓		REP. KELSH		
REP. CLEARY	✓		REP. KLEMIN	✓	
REP. DELMORE	✓		REP. KOPPELMAN		
REP. DISRUD	✓		REP. MAHONEY	✓	
REP. FAIRFIELD			REP. MARAGOS	✓	
REP. GORDER	✓		REP. MEYER	✓	
REP. GUNTER	✓		REP. SVEEN	✓	
REP. HAWKEN	✓				

Total Yes 12 No 0

Absent 3

Floor Assignment Koppelman

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
March 2, 1999 4:19 p.m.

Module No: HR-37-3886
Carrier: DeKrey
Insert LC: 98078.0201 Title: .0300

REPORT OF STANDING COMMITTEE

SB 2132, as engrossed: **Judiciary Committee (Rep. DeKrey, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (12 YEAS, 0 NAYS, 3 ABSENT AND NOT VOTING). Engrossed SB 2132 was placed on the Sixth order on the calendar.

Page 15, line 9, remove "an additional"

Renumber accordingly

1999 TESTIMONY
SB 2132

TESTIMONY ON SENATE BILL NO. 2132

By Charles W. Keller, Chief Auditor
Gaming Division
Office of Attorney General

Senate Judiciary Committee
January 20, 1999

Mr. Chairman and members of the Judiciary Committee, my name is Chuck Keller. I am the chief auditor of the Gaming Division of the Office of Attorney General. I am testifying on behalf of the State Gaming Commission – the sponsor of this bill. The Gaming Advisory Board (22-member informal board representing all interests of the gaming industry) and Office of Attorney General support the bill.

The bill does not contain any provision that would expand gaming.

The bill does several important things, including:

1. Housekeeping -- The bill deletes unnecessary and repetitive language, consolidates sections, corrects technical errors, and clarifies the law to make it clear and concise.
2. Page 7, lines 3-5 -- The provision clarifies the law by explaining how gaming proceeds may be used by an organization that has a local permit.
3. Page 9, line 19 -- The provision is a technical correction. A volunteer of an organization may conduct games. Reference to a "volunteer" was inadvertently deleted in the 1997 legislative session.
4. Page 10, lines 2-5 -- The provision requires an organization that discontinues gaming to work with the Office of Attorney General to timely disburse the organization's net proceeds. Presently, no follow-up action is required of an organization that discontinues gaming.
5. Page 10, line 20 -- The provision is a technical correction. The correct reference is Section 6-08-16.1, rather than Section 6-08-16.2. Section 6-08-16.1 relates to a misdemeanor offense that would disqualify a person from conducting games. Section 6-08-16.2 relates to a felony offense (second conviction). Both sections involve a person issuing a check without having an account at the financial institution on which the check was written.

6. Page 10, line 27 -- The provision would enable the gaming rules or Attorney General to exempt certain gaming employees from having a criminal history record check. These employees may include persons who are 16 or 17 years of age or persons who only conduct limited or infrequent gaming activity.
7. Page 11, lines 20-23 -- The provision is a technical correction that defines the types of gaming sites that have a limit on bingo prizes. The legislative intent was to limit bingo prizes at only a site at which bingo is the primary game or a site that is leased.
8. Page 14, lines 20-21 -- The provision would enable the State Gaming Commission to set, by rule, criteria for determining the necessary number of twenty-one or paddlewheel tables at a site as a basis for calculating the amount of rent that may be paid. An organization may pay a lessor up to \$200 for each necessary table. However, the law does not clearly define the word "necessary." The Commission would have the flexibility to work with representatives of organizations and bar owners to address this important issue. There has been and there remains chronic and blatant abuse by both organizations and bar owners. Organizations voluntarily offer to place, or are involuntarily forced to place, unnecessary twenty-one tables at good gaming sites as a sham to increase the monthly rent and retain the site.
9. Page 18, line 3 -- The provision would enable a veterans organization to establish a special trust fund with gaming net proceeds for maintaining a veterans cemetery. The trust fund would be a contingency should the organization discontinue gaming.
10. Page 19, lines 5-10 -- The provision authorizes the Attorney General to require an organization that is in poor financial condition to make monthly estimated gaming and excise tax payments. Presently, the legal process precludes the Office of Attorney General from addressing delinquent tax cases on a timely basis. The provision would minimize uncollectible taxes.

Mr. Chairman and members of the Judiciary Committee, would you please consider these proposed amendments (handed out) to this bill. The amendments are very important and would:

1. Clarify who the “manufacturer” is of a pull tab dispensing device and prevent the manufacturer from arbitrarily assigning its ownership rights to proprietary software to any other company with the intent to bypass the manufacturer’s licensing requirement and fee; and
2. Prevent a distributor from duplicating the manufacturer’s processing chip encoded with proprietary software with the intent to bypass the manufacturer’s licensing requirement and fee.

Are there any questions that I may answer?

PROPOSED AMENDMENT TO SENATE BILL NO. 2132

Page 19, line 10, remove "immediately"

Renumber accordingly

PROPOSED AMENDMENTS TO SENATE BILL NO. 2132

Page 3, line 8, after "who" insert "directly controls and manages development of and"

Page 3, line 9, after "software" insert "encoded on a processing chip that enables the device to operate"

Page 19, line 31, after "device" insert "and or processing chip encoded with proprietary software"

Page 20, line 4, after "device" insert "and or processing chip encoded with proprietary software"

Page 20, line 6, after the period insert "A distributor may not duplicate a manufacturer's processing chip encoded with proprietary software."

Renumber accordingly

Chuck
Keller

PROPOSED AMENDMENTS TO SENATE BILL NO. 2132

Page 14, line 17, overstrike "twenty-five" and insert immediately thereafter "seventy-five"

Page 14, line 21, after "conducted" insert "involving a jar bar or dispensing device, but not both"

Page 14, line 22, overstrike "twenty-five" and insert immediately thereafter "seventy-five"

Page 14, line 23, after the period insert "Otherwise, if pull tabs is conducted involving both a jar bar and dispensing device, the monthly rent for pull tabs may not exceed an additional two hundred dollars."

Page 14, line 24, after the second "conducted" insert "involving a jar bar or dispensing device, but not both"

Page 14, line 25, overstrike "twenty-five" and insert immediately thereafter "seventy-five" and after the period insert "Otherwise, if pull tabs is conducted involving both a jar bar and dispensing device, the monthly rent for pull tabs may not exceed an additional three hundred dollars."

Renumber accordingly

Al Storer Jensen

OFFICE OF ATTORNEY GENERAL
Gaming Division

History of Rent Limits for the Gaming Industry

January 30, 1997

<u>Period</u>	<u>Rent Limit</u>
1981-83	By rule, flat rate per month
1983-87	If a site has twenty-one, \$150 for each table If a site does not have twenty-one, no limit If a site has bingo as the primary game, no limit
1987-91	If a site has twenty-one, \$150 for each table plus \$50 for pull tabs If a site does not have twenty-one, \$150 for pull tabs If a site has bingo as the primary game, no limit
1991- Present	If a site has twenty-one, \$200 for each table plus \$125 for pull tabs If a site does not have twenty-one, \$225 for pull tabs If a site has bingo as the primary game, no limit

PROPOSED AMENDMENTS TO SENATE BILL NO. 2132

Page 24, after line 2, insert:

“SECTION 15. CHARITABLE GAMING INDUSTRY RENT LIMITS STUDY. The legislative council shall study the charitable gaming industry rent limits regarding the adequacy and appropriateness of implementing a percentage based or participatory based formula for rent. The legislative council shall report its findings and recommendations, to the fifty-seventh legislative assembly.”

Renumber accordingly

Judd Kranda

TESTIMONY ON SENATE BILL NO. 2132

By Charles W. Keller, Chief Auditor
Gaming Division
Office of Attorney General

House Judiciary Committee
March 1, 1999

My name is Chuck Keller. I am the chief auditor of the Gaming Division of the Office of Attorney General. I am testifying on behalf of the State Gaming Commission – sponsor of this bill. The Gaming Advisory Board (22-member informal board representing all interests of the gaming industry) and Office of Attorney General support the bill.

The bill does not expand gaming and does several important things:

1. Housekeeping -- The bill removes unnecessary and repetitive language, consolidates sections, corrects technical errors, and clarifies the law.
2. Technical Corrections –
 - A. The bill allows a volunteer of an organization to conduct games. A reference to "volunteer" was inadvertently removed last session.
 - B. The bill corrects a wrong citation of law on an offense that disqualifies a person from conducting games. The correct reference of law is Section 6-08-16.1 (misdemeanor offense), rather than Section 6-08-16.2 (felony offense). Both sections involve a person writing a no-account check.
 - C. The bill specifies types of sites that have a limit on bingo prizes. The intent was to limit bingo prizes at bingo halls and at bars, to: 1) Stop bingo halls from offering unreasonably large bingo prizes to force competition out of gaming, and 2) Stop bars from forcing organizations to offer unreasonably large bingo prizes that organizations cannot afford.
3. The bill would disqualify an organization from being eligible for a license if the organization's primary purpose involves the conduct of games.
4. The bill requires an organization that discontinues gaming to work with the Office of Attorney General to timely disburse net proceeds. Otherwise, the organization's net proceeds may never be disbursed to charity.

5. The bill enables the gaming rules or Attorney General to exempt certain gaming employees from needing a criminal background record check. Persons who conduct bingo and are less than 18 years of age for which no information is available, and persons who conduct limited gaming activity.
6. The bill enables the Gaming Commission to set, by rule, criteria for determining the necessary number of twenty-one or paddlewheel tables at a bar for computing the amount of rent that may be paid. An organization may pay up to \$200 per month for each necessary table. The law does not define "necessary." The Commission could work with organizations and bar owners to address the issue. Organizations and bars abuse present law.
7. The bill enables a veterans organization to set up a special trust fund of net proceeds to take care of a veterans cemetery. The fund would be a reserve fund should the organization stop gaming.
8. The bill authorizes the Attorney General to require an organization that is in poor financial condition to make monthly estimated gaming and excise tax payments. It would minimize uncollectible taxes.
9. The amendments adopted by the Senate would:
 - A. Close loopholes in the law by clarifying the definition of a "manufacturer" of pull tab dispensing devices and by requiring distributors to buy processing chips (software) for devices from licensed manufacturers; and
 - B. Increase the monthly rent that organizations may pay bar owners where pull tabs and or dispensing devices are operated. There would be no increase in the amount of monthly rent for a twenty-one table. The rent would increase as follows:
 - 1) If a site has only pull tab jars or only a pull tab or bingo card dispensing device, the maximum monthly rent would increase \$50, from \$225 to \$275.
 - 2) If a site has both pull tab jars and a pull tab or bingo card dispensing device, the maximum monthly rent would increase \$75, from \$225 to \$300.

I would be happy to answer any questions.

COLOR CODE: yellow means provisions were consolidated/rearranged

~~pink~~ means technical corrections

blue means new proposed provisions

~~green~~ means provisions were clarified or condensed

SENATE BILL NO. 2132

98078.0100

Fifty-sixth
Legislative Assembly
of North Dakota

Introduced by

Judiciary Committee

(At the request of the State Gaming Commission)

1 A BILL for an Act to amend and reenact sections 53-06.1-01, 53-06.1-01.1, 53-06.1-03,
2 53-06.1-06, 53-06.1-07.2, 53-06.1-07.3, 53-06.1-07.4, 53-06.1-10, 53-06.1-11, 53-06.1-11.1,
3 53-06.1-12.3, 53-06.1-14, 53-06.1-15.1, and 53-06.1-16 of the North Dakota Century Code,
4 relating to games of chance.

5 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

6 **SECTION 1. AMENDMENT.** Section 53-06.1-01 of the 1997 Supplement to the North
7 Dakota Century Code is amended and reenacted as follows:

8 **53-06.1-01. Definitions.** As used in this chapter:

9 1. "Adjusted gross proceeds" means gross proceeds less cash prizes, cost of
10 merchandise prizes, sales tax on bingo cards, pull tab excise tax, and federal
11 ~~excise tax and interest~~ ^{blue} imposed under section 4401 of the Internal Revenue Code
12 [26 U.S.C. 4401].

13 2. "Charitable organization" means an organization ^{yellow} ~~incorporated as a nonprofit~~
14 ~~corporation~~ whose primary purpose is for relief of poor, distressed, underprivileged,
15 diseased, elderly, or abused persons, prevention of cruelty to children or animals,
16 or similar condition of public concern, ~~which has been actively fulfilling its primary~~
17 ~~purpose within this state for the two immediately preceding years.~~

18 3. "Civic and service organization" means an organization ~~incorporated as a nonprofit~~
19 ~~corporation~~ whose primary purpose is to promote the common good and social
20 welfare of a community as a sertoma, lion, rotary, jaycee, kiwanis, or similar
21 organization, ~~and which has been actively fulfilling its primary purpose within this~~
22 ~~state for the two immediately preceding years.~~

23 4. "Closely related organization" means an organization that controls, is controlled by,
24 or is under common control with another organization. Control exists when an

unnecessary

consolidated
into No. 8
on page 2

yellow

moved
from
page 8,
lines 17-22

green

1
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green

organization has the authority or ability to elect, appoint, or remove a majority of the officers or directors of another organization or, by policy, contract, or otherwise, has the authority or ability to directly or indirectly direct or cause the direction of the management or policies of another organization.

5. "Compulsive gambler" means an individual who is chronically and progressively preoccupied with gambling and the urge to gamble and with gambling behavior that compromises, disrupts, or damages personal, family, or vocational pursuits.

5- 6. "Distributor" means a person that sells, markets, or distributes equipment usable in the conduct of games.

6- 7. "Educational organization" means ~~any a~~ nonprofit public or private elementary or secondary school, two-year or four-year college, or university ~~in this state which has been active for the two immediately preceding years.~~

moved to yellow

7- 8. "Eligible organization" means veterans, charitable, educational, religious, fraternal, civic and service, public safety, or public-spirited organization domiciled in North Dakota, incorporated as a nonprofit organization, and which has been actively fulfilling its primary purpose within this state during the two immediately preceding years. However, an educational organization does not need to be incorporated.

many provisions were moved into No. 8 yellow

An organization's primary purpose may not involve the conduct of games. The organization may be issued a license by the attorney general.

8- 9. "Fraternal organization" means an organization, except a college or high school fraternity, which is ~~incorporated as a nonprofit corporation and which is a branch, lodge, or chapter of a national or state organization and exists for the common business, brotherhood, or other interests of its members. The organization must have been actively fulfilling its primary purpose within this state for the two immediately preceding years, and must have obtained an advance ruling or final determination from the internal revenue service as qualifying~~ qualified for exemption from federal income tax under section 501(c)(8) or 501(c)(10) of the Internal Revenue Code.

moved to yellow

unnecessary green

9- 10. "Games" means games of chance.

10- 11. "Gross proceeds" means all cash and checks received from conducting games, sales tax on bingo cards, and admissions.

- 1 ~~11.~~ 12. "Licensed organization" means an eligible organization licensed by the attorney
2 general.
- 3 ~~12.~~ 13. "Local permit" means a permit issued to a nonprofit organization ^{green} of group of people
4 ^{blue} domiciled in North Dakota by a governing body of a city or county.
- 5 ~~13.~~ 14. "Manufacturer" means, ^{Pink} for a pull tab or bingo card, a person who designs, prints,
6 assembles, fabricates, or produces, or constructs a the product or equipment; ^{green}
7 ^{green} designed for the conduct of games; For a pull tab and or bingo card dispensing
8 device, a manufacturer ~~is~~ means the person who owns the rights to the proprietary
9 software.
- 10 ~~14.~~ 15. "Net proceeds" means adjusted gross proceeds less allowable expenses and
11 gaming tax.
- 12 ~~15.~~ 16. "Person" means any person, partnership, corporation, limited liability company,
13 association, or organization.
- 14 ~~16.~~ 17. "Public safety organization" means an organization ~~incorporated as a nonprofit~~
15 ~~corporation~~ whose primary purpose is to provide firefighting, ambulance service,
16 crime prevention, or similar emergency assistance, ~~which has been actively~~
17 ~~fulfilling its primary purpose within this state for the two immediately preceding~~
18 ~~years.~~
- 19 ~~17.~~ 18. "Public-spirited organization" means an organization ~~incorporated as a nonprofit~~
20 ~~corporation~~ whose primary purpose is for scientific research, amateur sports
21 competition, safety, arts, agriculture, preservation of cultural heritage, educational
22 activities, educational public service, youth, economic development, tourism,
23 community recreation, or similar organization, which does not meet the definition of
24 ~~veterans, fraternal, charitable, educational, religious, civic and service, or public~~
25 ~~safety~~ any other type of eligible organization and which has been actively fulfilling
26 its primary purpose within this state for the two immediately preceding years.
27 However, a nonprofit organization or a group of people ^{green} recognized as a
28 public-spirited organization by a governing body of a city or county for obtaining a
29 local permit does not need to meet this definition.
- 30 ~~18.~~ 19. "Qualified treatment service provider" means an entity based in North Dakota
31 which is experienced in and capable of delivering compulsive gambling education,

1 prevention, awareness, crisis intervention, rehabilitation, and financial counseling
2 and mental health treatment services as defined by the department of human
3 services.

4 ~~19.~~ 20. "Religious organization" means a ~~nonprofit organization~~, church, body of
5 communicants, or group gathered in common membership ~~incorporated as a~~
6 ~~nonprofit corporation~~ whose primary purpose is for advancement of religion, mutual
7 support and edification in piety, worship, and religious observances ~~which has~~
8 ~~been actively gathered or united in this state for the two immediately preceding~~
9 ~~years.~~

10 ~~20.~~ 21. "Veterans organization" means any congressionally chartered ~~post~~ ^{green} organization ^{pink}
11 ~~within this state~~, or any branch or lodge or chapter of a nonprofit national or state
12 organization whose membership consists of individuals who ~~are or were~~ ^{green} members
13 of the armed services or forces of the United States. ~~An~~ ^{pink} The organization must
14 have ~~been actively fulfilling its primary purpose in this state for the two immediately~~
15 ~~preceding years and must have obtained an advance ruling or final determination~~
16 ~~from the internal revenue service as qualifying~~ ^{green} ~~qualified~~ for exemption from federal
17 ~~income tax under section 501(c)(19) of the Internal Revenue Code.~~ ^{green}

18 **SECTION 2. AMENDMENT.** Section 53-06.1-01.1 of the 1997 Supplement to the
19 North Dakota Century Code is amended and reenacted as follows:

20 **53-06.1-01.1. Gaming commission.**

- 21 1. The state gaming commission consists of the chairman and four other members
22 appointed by the governor, with the consent of the senate. The members serve
23 three-year terms and until a successor is appointed and qualified. If the senate is
24 not in session when the term of a member expires, the governor may make an
25 interim appointment, and the interim appointee holds office until the senate
26 confirms or rejects the appointment. A member appointed to fill a vacancy arising
27 from other than the natural expiration of a term serves only for the unexpired
28 portion of the term. The terms of the commissioners must be staggered so that
29 one term expires each July first.
- 30 2. A person is ineligible for appointment to the commission if that person has not
31 been a resident of this state for at least two years before the date of appointment.

1 A person is also ineligible if that person is not of such character and reputation as
2 to promote public confidence in the administration of gaming in this state. A
3 person is also ineligible if that person has been convicted of a felony criminal
4 offense or has pled guilty or been found guilty of any violation of chapter 12.1-06,
5 12.1-08, 12.1-09, 12.1-10, 12.1-11, 12.1-12, 12.1-22, 12.1-23, 12.1-24, 12.1-28,
6 53-06.1, or 53-06.2, or has pled guilty or been found guilty of any violation of
7 section 6-08-16 or 6-08-16.2, or has pled guilty or been found guilty of any offense
8 or violation that has a direct bearing on the person's fitness to be involved in
9 gaming, or who has committed an equivalent offense or violation of the laws of
10 another state or of the United States. A person who has a financial interest in
11 gaming cannot be a member or employee of the commission. For the purpose of
12 this subsection, a financial interest includes the receiving of any direct payment
13 from an eligible organization for property, services, or facilities provided to that
14 organization.

15 3. Commission members are entitled to forty dollars per day for compensation for
16 each day spent on commission duties, and mileage and expense reimbursement
17 as allowed to other state employees.

18 *Pink* } 4. ~~The attorney general shall represent the state in all hearings before the~~
19 ~~commission. The commission may employ private counsel.~~

20 5. The commission shall adopt rules in accordance with chapter 28-32, to administer
21 and regulate the gaming industry, including methods of conduct, play, and
22 promotion of games; minimum procedures and standards for recordkeeping and
23 internal control; requiring tax returns and reports from organizations or distributors;
24 methods of competition and doing business by distributors and manufacturers;
25 acquisition and use of gaming equipment; quality standards for the manufacture of
26 pull tabs, paper bingo cards, and pull tab and bingo card dispensing devices; to
27 ensure that net proceeds are disbursed to educational, charitable, patriotic,
28 fraternal, religious, or public-spirited uses; to protect and promote the public
29 interest; to ensure fair and honest games; to ensure that fees and taxes are paid;
30 and to prevent and detect unlawful gambling activity.

1 **SECTION 3. AMENDMENT.** Section 53-06.1-03 of the 1997 Supplement to the North
2 Dakota Century Code is amended and reenacted as follows:

3 **53-06.1-03. Local permits, site authorization, and licenses.** *blue*

4 1. ~~An~~ Except as authorized by the attorney general, an organization that has its
5 license suspended or revoked, or has relinquished or not renewed its license and
6 not disbursed its net proceeds, is ineligible for a license or local permit. Only one
7 of two or more closely related organizations may have a license or local permit at
8 one time. A college or university fraternity, sorority, or club is not closely related to
9 an educational organization. An organization shall apply for a local permit as
10 follows:

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Page 8,
lines 16+17
yellow w*

11 a. ~~A nonprofit~~ *green* An organization recognized as a public-spirited organization by
12 the governing body of a city or county may apply for a local permit to conduct
13 only raffles, bingo, or sports pools in which *blue* The organization or closely
14 related organizations as a whole may only award a primary prize that does
15 not exceed one thousand dollars; and ~~the~~ total prizes of all games that do not
16 exceed six thousand dollars per year. The determination of what is a
17 "public-spirited organization" is within the sole discretion of the governing
18 body which should in its determination consider the definition of a
19 *green* public-spirited organization under subsection 18 of section 53-06.1-01 and
20 eligible uses of net proceeds under subsection 2 of section 53-06.1-11.1. A
21 governing body may issue a local permit for ~~the~~ games to be held at
22 designated times and places.

23 b. An *green* ~~eligible~~ organization shall apply to the governing body of the city or county
24 in which the *green* proposed site where the gaming activity to be conducted is *green*
25 located. Application *green* for a local permit must be made on a form prescribed by
26 the attorney general. If the nonprofit organization is a North Dakota college or
27 university fraternity, sorority, or club, the organization shall provide a signed
28 acknowledgment by the administration of the college or university that the
29 applicant is a recognized fraternity, sorority, or club. Approval may be granted
30 at the discretion of the governing body. A governing body may establish a fee
31 not to exceed twenty-five dollars for each local permit. A local permit must be

Blue

1 on a fiscal year basis from July first to June thirtieth or on a calendar-year
2 basis.

3 *green* c. Except for the restriction of subsection 1 of section 53-06.1-11.1, an
4 organization that has a local permit may use gaming proceeds for any
5 purpose that does not violate this chapter or gaming rules.

6 2. An eligible organization shall apply for a license to conduct only bingo, raffles,
7 calcuttas, pull tabs, punchboards, twenty-one, paddlewheels, poker, or sports
8 pools by:

9 a. First securing approval for a site authorization from the governing body of the
10 city or county in which the proposed site is located. Approval, which may be
11 granted at the discretion of the governing body, must be recorded on a site
12 authorization form that is to accompany the license application to the attorney
13 general for final approval. A governing body may not require an eligible
14 organization to donate net proceeds to the city, county, or related political
15 subdivision or for community programs or services within the city or county as
16 a condition for receiving a site authorization from the city or county. A
17 governing body may limit the number of tables for twenty-one per site and the
18 number of sites upon which a licensed organization may conduct games
19 within the city or county. A governing body may charge a one hundred dollar
20 fee for a site authorization; and

21 b. Annually applying for a license from the attorney general before July first on a
22 form prescribed by the attorney general and including with the application *green*
23 remitting a one hundred fifty dollar license fee. An organization shall
24 sufficiently document that it qualifies as an eligible organization. If a licensed *green*
25 an organization amends its primary purpose as stated in its articles of
26 incorporation or materially *green* changes its basic character in a material manner, *green*
27 the organization shall reapply for licensure.

28 3. A licensed organization may or organization that has a local permit shall *pink* conduct
29 games only on an authorized site as follows:

30 *green* a. Only one licensed organization or organization that has a local permit at a *green*
31 time *green* may conduct games at an authorized site on a day, *green* except that a raffle

1 may be conducted for a special occasion by ~~a second~~ ^{green} another licensed
2 organization or organization that has a local permit when one of these
3 conditions is met:

4 (1) When the area for the raffle is physically separated from the area where
5 games are conducted by the regular licensee organization, ^{green}

6 (2) Upon request of the regular licensee organization and with the approval ^{green}
7 of the alcoholic beverage establishment, the licensee's regular ^{green}
8 organization's license or local permit ^{green} is suspended for that specific time
9 of day by the attorney general. ^{pink}

10 b. Except for a temporary site authorized for fourteen or fewer consecutive days
11 for not more than two events per quarter, a licensed organization may not
12 have more than twenty-five sites unless granted a waiver by the attorney
13 general. If the attorney general finds that there is no other licensed
14 organization interested in conducting gaming at a site for which a waiver is
15 being sought, the attorney general may approve the waiver for no more than

16 five sites. Only one of two or more closely connected organizations may have ^{yellow}
17 a license at one time. Closely connected organizations are two or more
18 organizations which have an interdependent relationship, based on the
19 presence and degree of unitary attributes. These attributes may include
20 common primary purposes, members on boards of directors, officers,
21 management, administrative and operating services, membership, program
22 services, integrations of gaming activities, and shared facilities. ^{all green}

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page 2, lines
1-4*

23 c. Games of pull tabs, punchboards, twenty-one, paddlewheels, poker and ^{pink}
24 sports pools may be conducted only during the hours when alcoholic
25 beverages may be dispensed according to applicable regulations of the state,
26 county, or city.

27 d. An organization may not permit a person under twenty-one years of age to
28 directly or indirectly play pull tabs, punchboards, twenty-one, calcuttas, sports
29 pools, paddlewheels, or poker. An organization may not permit a person
30 under eighteen years of age to directly or indirectly play bingo unless the
31 person is accompanied by an adult, bingo is conducted by an organization

1 that has a local permit, or the game's prize structure does not exceed that
2 allowed for a local permit.

3 4. A local permit, ^{green} or site authorization, and license, ^{green} and rules relating to the conduct
4 and play of games, ^{yellow} must contain information prescribed by the attorney general or
5 local governing body and must be displayed at a site. ^{green}

6 5. The attorney general ~~shall license an eligible organization that complies with this~~
7 ~~chapter and~~ may issue a conditional license to an eligible organization whose
8 regularly issued license has expired or been suspended, revoked, or relinquished.
9 The attorney general shall designate the time period for which the conditional
10 license is valid and may impose any conditions.

11 6. A governing body or local law enforcement official may inspect a site's gaming
12 equipment, and examine or cause to be examined the books and records of a
13 licensed organization or organization that has a local permit to the extent that the
14 books and records relate to any transaction involving the direct or indirect conduct
15 of games.

16 **SECTION 4. AMENDMENT.** Section 53-06.1-06 of the 1997 Supplement to the North
17 Dakota Century Code is amended and reenacted as follows:

18 **53-06.1-06. Persons permitted to conduct games - Equipment.**

19 1. No person, except a member, ^{picnic} volunteer, an employee of a licensed organization or
20 an organization that has a local permit, or an employee of a temporary employment
21 agency who provides services to a licensed organization, may conduct any game.
22 "Member" includes a member of an auxiliary organization. In conducting pull tabs
23 or bingo through a dispensing device, the attorney general may allow an employee
24 of an alcoholic beverage establishment to provide limited assistance to an
25 organization.

26 2. Except when authorized by the attorney general or allowed by the gaming rules, an
27 eligible organization shall procure gaming equipment only from a licensed
28 distributor. No equipment or prizes may be purchased at an excessive price.

29 3. An organization shall maintain complete, accurate, and legible accounting records
30 in North Dakota for all gaming activity and establish an adequate system of internal
31 control. The governing board of an eligible organization is primarily responsible

1 and may be held accountable for the proper determination and distribution of net
2 proceeds. If an organization does not renew its license or its license is denied,
3 relinquished, or revoked and it has not disbursed all of its net proceeds, the
4 organization shall file an action plan as prescribed by the gaming rules with the
5 attorney general.

Blue

- 6 4. The value of a merchandise prize awarded in a game is its retail price.
7 5. A person is restricted from being involved in gaming and the attorney general shall
8 conduct criminal history record check as follows:

9 a. A person who has pled guilty to or been found guilty of a felony offense as
10 defined by the laws of this state, other states, or the federal government, or
11 has pled guilty to or been found guilty of a violation of this chapter, a gaming
12

13
14
15 distribute gaming equipment, and may not be employed by a licensed
16 organization to conduct games on a site for five years from the date of
17 conviction, release from incarceration, or expiration of parole or probation,
18 whichever is the latest.

19 b. A person who has pled guilty to or been found guilty of a misdemeanor
20 offense in violation of section ~~6-08-16.2~~ 6-08-16.1 ^{Pink} or chapter 12.1-06,
21 12.1-23, or 12.1-24 or offenses of other states, the federal government, or a
22 municipality equivalent to these offenses may not be a licensed distributor,
23 may not be employed by a licensed distributor to sell or distribute gaming
24 equipment, and may not be employed by a licensed organization to conduct
25 games on a site for two years from the date of conviction, release from
26 incarceration, or expiration of parole or probation, whichever is the latest.

27 c. The/Unless an employee is exempt by the gaming rules or attorney general,
28 the attorney general shall conduct a criminal history record check of each
29 potential employee of a licensed organization or distributor ^{Pink} and charge a fee
30 of twenty dollars per record check in accord with section 12-60-16.9. ^{Pink} The fee
31 may be waived in part or in whole by the attorney general if a federal agency

Blue

Pink

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green

1 or local law enforcement agency ^{green} has done a record check. The attorney
 2 general may require advance payment of any additional fee necessary to
 3 defray pay the actual cost of a background record check of a person for
 4 whom adequate background information sources are not readily available,
 5 including a person who has not resided in North Dakota for the previous five
 6 years. The attorney general may require payment of the estimated additional
 7 fee in advance as a condition precedent to beginning the background check.
 8 The attorney general shall notify the person when a determination is made
 9 that an additional fee is necessary and shall notify the person of the best
 10 estimate of the amount of the additional fee. ~~In lieu~~ Instead of paying the
 11 additional cost fee, a person may cancel the background record check. The
 12 estimated cost advance payment must be placed in the attorney general's
 13 refund fund for use to defray the actual expenses of the background check.
 14 The remainder of the unused funds must be returned to the person within
 15 thirty days of the conclusion of the background record check. The attorney
 16 general shall notify the organization or distributor and the person of the result
 17 of the background check. The attorney general shall hold keep the
 18 information confidential except in the proper administration of this chapter or
 19 any gaming rule, or to provide to an authorized law enforcement agency.

green

*all green except
or distributor
which
is pink*

20 6. ~~A~~ For a site where bingo is the primary game or a site that is leased by a ^{pink} licensed
 21 organization, the organization may not pay bingo prizes in which the total bingo
 22 prizes exceeds exceed total bingo gross proceeds for a period prescribed by
 23 gaming rule. However, if bingo is the primary game at the site ^{pink} a bingo prize that
 24 equals or exceeds ten thousand dollars is excluded from the total of the bingo
 25 prizes.

*pink
pink*

26 7. A city or county may require a person ^{green} conducting games to obtain a local work
 27 permit, charge a reasonable fee, and conduct a criminal history record check. ^{green} ~~A~~
 28 fee may not exceed the actual expense of processing an application.

29 **SECTION 5. AMENDMENT.** Section 53-06.1-07.2 of the 1997 Supplement to the

30 North Dakota Century Code is amended and reenacted as follows:

1 **53-06.1-07.2. Poker.** ~~A licensed organization may conduct poker~~ Poker may be
2 conducted on not more than two occasions per year. An organization may supply the dealer.
3 The maximum single bet is one dollar. Not more than three raises, of not more than one dollar
4 each, may be made among all the players in each round of bets. ~~Otherwise the normal rules of~~
5 ~~poker apply.~~ An organization shall assess each player a fee not to exceed two dollars per
6 one-half hour of playing time, collected in advance. A fee may be charged each player for entry
7 into a tournament for prizes and this fee may be in place of or in addition to the fee assessable
8 at one-half hour intervals.

9 **SECTION 6. AMENDMENT.** Section 53-06.1-07.3 of the 1997 Supplement to the
10 North Dakota Century Code is amended and reenacted as follows:

11 **53-06.1-07.3. Calcuttas.** A calcutta may only be conducted for a professional or
12 amateur sporting event held in this state, but not for elementary, secondary, or postsecondary
13 (education sports events.) ~~An organization shall post at the site all rules affecting the conduct~~
14 ~~and play of calcuttas.~~ ~~An organization may not have an interest in the outcome of the calcutta.~~
15 ~~A player must place a wager in the calcutta auction pool at the site. No more than~~ Only one
16 wager per competitor may be allowed in ~~any~~ a calcutta pool. The amount of prizes may not
17 exceed ninety percent of the gross proceeds. A player may not place a wager on a competitor
18 in a calcutta sporting event unless the competitor is eighteen years of age or older.

19 **SECTION 7. AMENDMENT.** Section 53-06.1-07.4 of the 1997 Supplement to the
20 North Dakota Century Code is amended and reenacted as follows:

21 **53-06.1-07.4. Paddlewheels.** ~~An organization shall post at the site rules relating to~~
22 ~~paddlewheels.~~ A paddlewheel is a mechanical vertical wheel marked off into equally spaced
23 sections that contain numbers or symbols, and which after being spun, uses a pointer to
24 indicate the winning number or symbol. The maximum price per ~~wager~~ paddlewheel ticket is
25 two dollars. No money may be used ~~to bet on the table as a wager.~~ A table and chips must be
26 used to register a player's wager when a prize is a variable multiple of the wager. ~~A~~ Otherwise,
27 a paddlewheel ticket must be used ~~to register a player's wager when a prize is not a variable~~
28 ~~multiple of the wager.~~ A player may not place wagers valued at more than twenty dollars on
29 each spin of the paddlewheel. Cash, chips, or merchandise prizes may be awarded. No single
30 cash prize, value of chips, or the retail value of the merchandise prize to be awarded for a
31 winning wager may exceed one hundred dollars.

1 **SECTION 8. AMENDMENT.** Section 53-06.1-10 of the 1997 Supplement to the North
2 Dakota Century Code is amended and reenacted as follows:

3 **53-06.1-10. Twenty-one.** No money may be ~~allowed on the table~~ ^{green} used as a wager.

4 The organization shall provide playing chips of various denominations to players. ~~Chips must~~ ^{green}

5 ~~be redeemed by the organization for their full value.~~ The maximum limit per wager may be set

6 by the organization at not more than five dollars and wagers in increments of one dollar must be

7 accepted up to the maximum limit. A player may not play more than two hands at the same

8 time. Only the player actually playing a hand may place a wager on any hand. Each player

9 plays the player's hand against the dealer's hand. ~~To remain in the hand being dealt, neither~~

10 ~~the player nor the dealer may play a hand with a count greater than twenty one. A count of~~

11 ~~twenty one obtained with two cards is a natural twenty one and is an automatic payout except~~

12 ~~in a tie count with the dealer. Players may double down on a natural twenty one. For a tie~~

13 ~~count between the player and the dealer, no winner is declared and the player keeps the~~

14 ~~player's wager. An organization may allow pooling of tips received by dealers at a site. Any~~

15 ~~requirement to pool tips is within the sole discretion of each organization. An organization shall~~

16 ~~post rules relating to twenty one.~~ Except for a site that has twenty-one gross proceeds

17 averaging less than ten thousand dollars per quarter, an organization may not conduct

18 twenty-one at the site with wagers exceeding two dollars unless the organization has first

19 installed video surveillance equipment as required by rules and the equipment is approved by

20 the attorney general.

21 **SECTION 9. AMENDMENT.** Section 53-06.1-11 of the 1997 Supplement to the North

22 Dakota Century Code is amended and reenacted as follows:

23 **53-06.1-11. Gross proceeds - Allowable expenses - Rent limits.**

24 1. All money received from games must be accounted for according to the gaming

25 rules. Gaming activity for a quarter must be reported on a tax return form

26 prescribed by the attorney general. ~~The~~ ^{blue} ~~Unless otherwise authorized by the~~

27 ^{blue} ~~attorney general, the~~ purchase price of a merchandise prize must be paid from a

28 gaming bank account by check. No check drawn from a gaming or trust bank

29 account may be payable to "cash" or a fictitious payee. A cash prize that exceeds

30 an amount set by rule must be accounted for by a receipt prescribed by the gaming

31 rules.

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Page 9,
lines 34
yellow

- 1 2. Allowable expenses may be deducted from adjusted gross proceeds. The
- 2 allowable expense limit is fifty percent of the first two hundred thousand dollars of
- 3 adjusted gross proceeds per quarter and forty-five percent of the adjusted gross
- 4 proceeds in excess of two hundred thousand dollars per quarter. In addition, an
- 5 organization may deduct as an allowable expense:
- 6 a. Two and one-half percent of the gross proceeds of pull tabs.
- 7 b. Capital expenditures for security or video surveillance equipment used for
- 8 controlling games if the equipment is required by section 53-06.1-10 or
- 9 authorized by rule, and it is approved by the attorney general.
- 10 3. Cash shorts incurred in games and interest and penalty are classified as expenses.
- 11 4. For a site where bingo is conducted:
- 12 a. Except under subdivision c, if bingo is the primary game, the monthly rent
- 13 must be reasonable.
- 14 b. If bingo is not the primary game, but is conducted with twenty-one,
- 15 paddlewheels, or pull tabs, no additional rent is allowed.
- 16 c. If bingo is conducted through a dispensing device and no other game is
- 17 conducted, the monthly rent may not exceed two hundred twenty-five dollars.
- 18 5. For a site where bingo is not the primary game:
- 19 a. If twenty-one or paddlewheels is conducted, the monthly rent may not exceed
- 20 two hundred dollars multiplied by the necessary number of tables based on *blue*
- 21 criteria prescribed by gaming rule. If pull tabs is also conducted, the monthly
- 22 rent for pull tabs may not exceed an additional one hundred twenty-five
- 23 dollars.
- 24 b. If twenty-one and paddlewheels are not conducted but pull tabs is conducted,
- 25 the monthly rent may not exceed two hundred twenty-five dollars.

26 **SECTION 10. AMENDMENT.** Section 53-06.1-11.1 of the 1997 Supplement to the
27 North Dakota Century Code is amended and reenacted as follows:

28 **53-06.1-11.1. Restricted use of money in certain political activities - Eligible uses**
29 **of net proceeds.**

- 30 1. A licensed organization or an organization that has a local permit may not use
- 31 money from any source for placing an initiated or referred measure on a ballot or

1 for a political campaign to promote or oppose a person for public office. Except for
2 a use related to an organization's primary purpose, a licensed organization or
3 organization that has a local permit may not use net proceeds to influence
4 legislation or promote or oppose referendums or initiatives. Any funds expended
5 by *green* an a licensed organization or an organization that has a local permit *Pink* to promote
6 or oppose an initiated or referred measure that is on the ballot or for any activities
7 of a lobbyist under section 54-05.1-02, that are not compensation or expenses paid
8 to a lobbyist, and that are not required to be reported under section 54-05.1-03
9 must be reported to the attorney general as prescribed by the attorney general. A
10 violation of this ~~section~~ subsection *PINK* subjects an organization to a suspension of its
11 license or local permit for up to one year.

12 2. A licensed organization shall disburse net proceeds within the period prescribed by
13 rule and for only these educational, charitable, patriotic, fraternal, religious, or
14 public-spirited uses:

- 15 a. Uses for stimulating and promoting state and community-based economic
16 development programs within the state which improve the quality of life of
17 community residents.
- 18 b. Uses for developing, promoting, and supporting tourism within a city, county,
19 or the state.
- 20 c. Uses benefiting an indefinite number of persons by bringing them under the
21 influence of education, cultural programs, or religion which include
22 disbursements to provide:
 - 23 (1) Scholarships for students, if the disbursement is deposited in a
24 scholarship fund for defraying the cost of education to students and the
25 scholarships are awarded through an open and fair selection process.
 - 26 (2) Supplementary assistance to a public or private nonprofit educational
27 institution registered with or accredited by any state.
 - 28 (3) Assistance to libraries and museums.
 - 29 (4) Assistance for the performing arts and humanities.
 - 30 (5) Preservation of cultural heritage.
 - 31 (6) Youth community, social welfare, and athletic activities.

- 1 (7) Adult amateur athletic activities within the state, ~~such as softball,~~ ^{green}
- 2 including uniforms and equipment.
- 3 (8) Maintenance of places of public worship or support of a body of
- 4 communicants, gathered in common membership for mutual support
- 5 and edification in piety, worship, or religious observances.
- 6 (9) Scientific research.
- 7 d. Uses benefiting an indefinite number of persons by relieving them of disease,
- 8 suffering, or constraint which include disbursements to provide:
- 9 ^{green} (1) Relief Assistance to an individual or family suffering from poverty or
- 10 homelessness.
- 11 (2) Encouragement and enhancement of the active participation of the
- 12 elderly in our society.
- 13 (3) Services to the abused.
- 14 (4) Services to persons with an addicted behavior toward alcohol,
- 15 gambling, or drugs.
- 16 (5) Funds to combat juvenile delinquency and rehabilitate ex-offenders.
- 17 (6) Relief for the sick, diseased, and terminally ill and their physical
- 18 well-being.
- 19 (7) Funds for emergency relief and volunteer services.
- 20 (8) Funds to nonprofit nursing homes, nonprofit day care centers, ^{green} and
- 21 nonprofit medical facilities.
- 22 (9) Social services and education programs aimed at aiding emotionally
- 23 and physically distressed, handicapped, elderly, and underprivileged
- 24 persons.
- 25 (10) Funds for crime prevention, fire protection and prevention, and public
- 26 safety.
- 27 (11) Funds to relieve, improve, and advance the physical and mental
- 28 conditions, care and medical treatment, and health and welfare of
- 29 injured or disabled veterans.
- 30 e. Uses that perpetuate the memory and history of the dead.

- 1 f. Uses increasing comprehension of and devotion to the principles upon which
2 the nation was founded, not of direct benefit to the eligible organization or any
3 member thereof which include disbursements to aid in teaching the principles
4 of liberty, truth, justice, and equality. However, beauty pageants do not
5 qualify.
- 6 g. The erection or maintenance of public buildings, utilities, or waterworks.
- 7 h. Uses lessening the burden of government which include disbursements to an
8 entity that is normally funded by a city, county, state, or United States
9 government and disbursements directly to a government entity or its agency.
- 10 i. Uses benefiting a definite number of persons who are the victims of loss of
11 home or household possessions through explosion, fire, flood, or storm and
12 the loss is not covered by insurance.
- 13 j. Uses benefiting a definite number of persons suffering from a seriously
14 disabling disease or injury causing severe loss of income or incurring
15 extraordinary medical expense which is not covered by insurance.
- 16 k. Uses, for community service projects, by chambers of commerce exempt from
federal income tax under section 501(c)(6) of the Internal Revenue Code. A
19 project qualifies if it develops or promotes public services, including
20 education, housing, transportation, recreation, crime prevention, fire
21 protection and prevention, safety, tourism, and health. Uses that directly
benefit a chamber of commerce do not qualify.
- 22 l. Uses for or of benefit to efforts in support of the health, comfort, or well-being
23 of the community which include disbursements to provide:
- 24 (1) Funds for adult bands, including drum and bugle corps.
- 25 (2) Funds for trade shows and conventions conducted in this state.
- 26 (3) Funds for nonprofit organizations that operate a humane society, zoo,
27 or fish or wildlife ~~propagation reproduction~~ and habitat enhancement
28 program. *green*
- 29 (4) Funds for public transportation, community celebration, and recreation.
- 30 (5) Funds for preservation and cleanup of the environment.

1 m. To the extent net proceeds are used toward the primary purpose of a
2 charitable, educational, religious, public safety, or public-spirited organization,
3 *blue* or are used for a veterans cemetery by a veterans organization, that has
4 obtained a final determination from the internal revenue service as qualifying
5 for exemption from federal income tax under section 501(c)(3) or 501(c)(19) *blue*
6 of the Internal Revenue Code, the organization may establish a special trust
7 fund as a contingency for funding or maintaining the organization's future
8 program services should the organization discontinue conducting games or
9 dissolve.

10 3. The uses in subsection 2 do not include the erection, acquisition, improvement,
11 maintenance, or repair of real or personal property owned or leased by an
12 organization unless it is used exclusively for an eligible use. No part A licensed
13 organization or recipient of net proceeds after they have been disbursed to an
14 eligible use recipient may be used by the donee to pay any person not use net
15 proceeds for services rendered or materials purchased in connection with
16 administrative or operating expenses involving the conduct of games by the donor
17 organization. *green*

18 **SECTION 11. AMENDMENT.** Section 53-06.1-12.3 of the 1997 Supplement to the
19 North Dakota Century Code is amended and reenacted as follows: *Blue Blue*

20 **53-06.1-12.3. Interest and, penalty, and estimated tax.** The attorney general shall
21 assess a licensed organization interest and penalty as follows: *green*

- green*
- 22 1. Assessment of interest. If an organization does not pay tax due by the original
23 date of a tax return, or if additional tax is due based on an audit or math verification
24 of the return and it is not paid by the original due date of the return, the
25 organization shall pay interest on the tax at the rate of twelve percent per annum
26 computed from the original due date of the return through the date the tax is paid.
 - 27 2. Assessment of penalty. If an organization does not pay tax due on a tax return by
28 the original or extended due date of the return, or if additional tax is due based on
29 an audit or math verification of the return and it is not paid by the original or
30 extended due date of the return, the organization shall pay a penalty of five percent
31 of the tax, or twenty-five dollars, whichever is greater. If an organization does not

1 file a tax return by the original or extended due date of the return, the organization
2 shall pay a penalty of five percent of the tax, or twenty-five dollars, whichever is
3 greater, for each month or fraction of a month during which the return is not filed.
4 not exceeding a total of twenty-five percent.

5 3. The attorney general may require a licensed organization to make monthly
6 estimated gaming and excise tax payments if the attorney general determines that
7 the organization is in poor financial condition. If an organization fails to pay any tax
8 or estimated tax, interest, or penalty by the original due date or date set by the *blue*
9 attorney general, the attorney general may bring court action to collect it and may *blue*
10 immediately suspend the organization's license. The attorney general may for
11 good cause waive all or part of any interest or penalty and may waive any minimal
12 tax.

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13 4. If an organization has failed to file a tax return, has been notified by the attorney
14 general of the delinquency, and refuses or neglects within thirty days after the
15 notice to file a proper return, the attorney general shall determine the adjusted
16 gross proceeds and gaming and excise taxes due according to the best information
17 available and assess the taxes at not more than double the amount. Interest and
18 penalty also must be assessed.

19 **SECTION 12. AMENDMENT.** Section 53-06.1-14 of the 1997 Supplement to the North
20 Dakota Century Code is amended and reenacted as follows:

21 **53-06.1-14. Distributors and manufacturers.**

- 22 1. A manufacturer of pull tabs, bingo cards, and or pull tab dispensing devices, and a
23 distributor shall apply annually for a license upon a form prescribed by the attorney
24 general before the first day of April in each year. The license fee for a distributor is
25 one thousand five hundred dollars. The license fee for a manufacturer is four
26 thousand dollars.
- 27 2. A licensed distributor may not sell, market, or distribute gaming equipment except
28 to a licensed distributor, licensed organization, organization that has a local permit,
29 or other person authorized by gaming rule *blue* or the attorney general. A manufacturer
30 of a pull tab dispensing ~~devices~~ device, pull ~~tabs~~ tab, or bingo ~~cards~~ card may only
31 sell, market, or distribute the manufacturer's pull tab dispensing ~~devices~~ device,

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~~pull tabs tab , or bingo cards card to a licensed distributor. A distributor may purchase or acquire pull tabs or bingo cards only from a licensed manufacturer or licensed distributor. A licensed distributor may purchase or acquire a new pull tab dispensing device, pull tab, or bingo card only from a licensed manufacturer or licensed distributor. However, a distributor may purchase or acquire a used pull tab dispensing device from a licensed organization.~~

3. A licensed distributor shall affix a North Dakota gaming stamp to each deal of pull tabs and bingo cards, punchboard, sports pool board, calcutta board, and series of paddlewheel ticket cards sold and shall purchase the stamps from the attorney general for twenty-five cents each.

4. A licensed organization, organization that has a local permit, licensed manufacturer, or North Dakota wholesaler of liquor or alcoholic beverages may not be a distributor or stockholder of a distributor.

~~A licensed manufacturer may not have any financial interest in a distributor. A distributor may not have any financial interest in be a stockholder of a licensed manufacturer.~~

5. In addition to the license fee, the attorney general may require advance payment of any additional fee necessary to defray pay the actual cost of a background record check of an applicant by following the procedures prescribed by according to subdivision c of subsection 5 of section 53-06.1-06.

SECTION 13. AMENDMENT. Section 53-06.1-15.1 of the 1997 Supplement to the North Dakota Century Code is amended and reenacted as follows:

53-06.1-15.1. Authority of the attorney general. The attorney general may:

1. Inspect all sites in which gaming is conducted or inspect all premises where gaming equipment is manufactured or distributed. The attorney general may require a licensed manufacturer to reimburse the attorney general for the reasonable actual cost of transportation, lodging, meals, and incidental expenses incurred in inspecting the manufacturer's facility.
2. Inspect all gaming equipment and supplies on a site or premises.
3. Seize and remove from a site or premises and impound any gaming equipment, supplies, games, or books and records for the purpose of examination and

1 inspection. When books or records are seized, the attorney general shall provide
2 copies of those records or books within seventy-two hours of a specific request by
3 the organization for a copy of the books or records seized.

4 4. Demand access to and inspect, examine, photocopy, and audit all books and
5 records of applicants, organizations, lessors, manufacturers, ~~and~~ distributors,
6 *green* ~~including any~~ and affiliated companies on their premises concerning any income or
7 expense resulting from any gaming activity, determine compliance with this chapter
8 or gaming rules, and require verification of income, expense, or use of net
9 proceeds, and all other matters affecting this chapter.

10 5. ~~The attorney general may permit~~ *green* Permit the commissioner or proper representative
11 of the internal revenue service of the United States to inspect a tax return or furnish
12 a copy of the tax return, or information concerning any item contained in the return,
13 or disclosed by any audit or investigation report of the gaming activity of any
14 organization or player, or recordkeeping information. However, information cannot
15 be disclosed to the extent that the attorney general determines that the disclosure
16 would identify a confidential informant or seriously impair any civil or criminal
17 investigation. Except when directed by judicial order, or for pursuing civil or
18 criminal charges regarding a violation of this chapter or a gaming rule, or as is
19 provided by law, the attorney general may not divulge nor make known, to any
20 person, any income or expense item contained in any tax return or disclosed by an
21 audit or investigative report of any taxpayer, provided to the attorney general by the
22 internal revenue service.

23 6. Require a representative of a licensed organization or distributor to participate in
24 training or for good cause prohibit the person from being involved in gaming as an
25 employee or volunteer. The attorney general may for good cause prohibit a person
26 from providing personal or business services to an organization or distributor.

27 7. Prohibit a person from playing games if the person violates this chapter, chapter
28 12.1-28, or 53-06.2, or a gaming rule.

29 8. Require a licensed organization to pay a bingo or raffle prize to a player based on
30 a factual determination or a hearing by the attorney general.

1 9. Based on reasonable ground or written complaint, suspend, deny, or revoke an
2 organization's local permit or an organization's, distributor's, or manufacturer's
3 *blue* application of license for violation, by the organization, distributor, or manufacturer
4 or any officer, director, agent, member, or employee of the organization, distributor,
5 or manufacturer, of this chapter or any gaming rule.

6 10. Impose a monetary fine on a licensed organization, organization that has a local *blue*
7 *blue* permit, distributor, or manufacturer for failure to comply with this chapter or any
8 gaming rule. The monetary fine for each violation by an organization is a minimum
9 of twenty-five dollars and may not exceed two percent of the organization's
10 average quarterly gross proceeds, or five thousand dollars, whichever is greater.
11 The monetary fine for each violation by a distributor is a minimum of one hundred
12 dollars and may not exceed five thousand dollars. The monetary fine for each
13 violation by a manufacturer is a minimum of five hundred dollars and may not
14 exceed two hundred fifty thousand dollars. This fine may be in addition to or in
15 place of a license suspension or revocation.

16 11. At any time within three years after any amount of fees, monetary fine, interest, *green*
17 *green* penalty, or tax required to be paid pursuant to this chapter becomes due, bring a
18 civil action to collect the amount due. However, if for any reason there is a change
19 in adjusted gross income or tax liability by an amount which is in excess of
20 twenty-five percent of the amount of adjusted gross income or tax liability originally
21 reported on the tax return, any additional tax determined to be due may be
22 assessed within six years after the due date of the tax return, or six years after the
23 tax return was filed, whichever period expires later. An action may be brought
24 although the person owing the fees or tax is not presently licensed.

25 12. Institute an action in any district court for declaratory or injunctive relief against a
26 person, whether or not the person is a gaming licensee, as the attorney general
27 deems necessary to prevent noncompliance with this chapter or gaming rules.

28 13. For good cause, require a licensed organization to use the attorney general's
29 *blue* recordkeeping system for any or all games.

30 **SECTION 14. AMENDMENT.** Section 53-06.1-16 of the 1997 Supplement to the North
31 Dakota Century Code is amended and reenacted as follows:

1 **53-06.1-16. Violation of law or rule - Fraudulent scheme or technique to cheat or**
2 **skim unlawful - Penalty.**

3 1. Except as otherwise provided by this chapter, a person who knowingly makes a
4 false statement on a request for record check form or in any application for a local
5 permit, or license, or in any accompanying statement, knowingly signs a false
6 record or report, or who fails to maintain sufficient books and records or adequate
7 internal control to substantiate gross proceeds, prizes, cash profits, expenses, or
8 disbursement of net proceeds, or who falsifies any books or records relating to any
9 transaction involving the direct or indirect conduct of games, or who violates this
10 chapter, any gaming rule, or of any term of a local permit or license is guilty of a
11 class A misdemeanor. If convicted, the person forfeits any gaming license or local
12 permit issued to it and is ineligible to reapply for a gaming license or local permit
13 for a period of time determined by the attorney general.

- 14 2. It is unlawful for a person playing or conducting a game ^{pink} or otherwise: *class a*
leap hole
- 15 a. To use bogus or counterfeit chips or pull tabs, or to substitute or use any
 - 16 game, cards, pull tabs, or game piece that have been marked or tampered
 - 17 with.
 - 18 b. To employ or have on one's person any cheating device to facilitate cheating
 - 19 in any game, or to attempt to commit or commit a theft, or to assist in
 - 20 committing any other fraudulent scheme.
 - 21 c. To willfully use any fraudulent scheme or technique, including when a person
 - 22 directly or indirectly solicits, provides, or receives inside information of the
 - 23 status of a game of pull tabs for the benefit of any person.
 - 24 d. To alter or counterfeit a site authorization, license, or North Dakota gaming
 - 25 stamp.
 - 26 e. To knowingly cause, aid, abet, or conspire with another person or to cause
 - 27 any person to violate this chapter or a gaming rule.

28 A person violating this subsection is guilty of a class A misdemeanor unless the total amount
29 gained through the use of these items, schemes, or techniques resulted in a person obtaining
30 over five hundred dollars, then the offense is a class C felony. However, if a person uses a
31 fraudulent scheme regarding soliciting, providing, or receiving inside information involving the

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- 1 game of pull tabs or uses a fraudulent scheme or technique to cheat or skim involving pull tabs,
- 2 twenty-one, or bingo, regardless of the amount gained, the offense is a class C felony.