

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

3035

2005 HOUSE CONSTITUTIONAL REVISION

HCR 3035

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HCR3035

Constitutional Revision

☐ Conference Committee

Hearing Date 2-23-05

Tape Number	Side A	Side B	Meter #
1	X		1---- End
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Committee Clerk Signature <i>Miane Olson</i>			

Minutes:

Chairman Koppelman: (Tape 1, Side A, beginning) opened the hearing on HCR3035.

Rep Kasper: (1.0) introduced HCR3035. The resolution is very simple; it is a companion resolution to HB1509, which we passed last week in the ND House. L. 21-24 state that the Legislative Assembly shall authorize the establishment of Internet live poker establishments. The Internet live poker establishments must be located in the state & licensed & regulated by the state. (We might want to work on the language for clarification.) The intent of the bill is to set up a business opportunity whereby the Internet poker sites that are located throughout the world right now, none of which are in the US, would locate to ND, bring their jobs, be licensed & regulated by the Attorney General in the State of ND. Currently there's approximately 2,000 Internet poker sites world wide; the United Kingdom & Australia (the nations) have set up regulations to license & authorize these poker sites, so there are some located there, but the vast majority of poker sites are off shore, where there is little licensing & no powerful regulation &

oversight to speak of. I view this resolution & the outcome of the bills as an economic development & job opportunity bills for the State of ND. What we are actually licensing are the Internet service providers, which provide the Internet capability to play the Internet poker, which I'll give a demonstration of. The poker sites need huge computerization & broad band width capabilities. They hire technicians who are computer experts who program & reprogram the contents of their Internet poker games to keep up to date & continually improve the capabilities of those games. (3.0) Over the weekend I talked with the president of Paradise Poker, who is located in London, they're the 3rd largest poker Internet site in the world. When I asked him what the typical number of jobs that would come to ND, he said for the larger sites (like theirs & others) you'd be dealing with 25-35 employees per site. They'd be high tech jobs that would have degrees in computer programing, they'd be executive & marketing type of jobs. Obviously, some of these individuals with these sites would come from out of state, so we'd bring new population to our state. Many of the jobs could be hired from our state, one of the areas that they would certainly be looking to hire ND citizens for is in the area of customer service. These poker sites have 24/7 customer service 800 numbers for people who are the sites to call in. Sometimes they get disconnected, sometimes they have a problem with a connection, etc. These customer service jobs could be located anywhere in the state of ND; what an opportunity for small rural towns in our state, to have well pd customer service jobs. These are not telemarketing jobs where they're calling out, they're customer service jobs where people are calling in to them to help them solve computer problems. We could help reinforce the need for jobs in rural ND. Another area of spin off for job creation in our state is in the area of the broad band needs. These poker sites need huge capabilities for high speed Internet connections & we have, all over our state, companies

that provide those services, so they would be able to hook up to these companies & provide revenue. One of the companies I spoke with said they spend over \$13,000 per month in Internet service fees alone. So there again another opportunity to expand the businesses that are providing those services in ND & keep those jobs here.

Rep Kasper gave a demonstration on line. (4.2) These Internet sites are actual live time; when you go to one of these sites, you're playing with players all around the world on actual live time as we speak. What I will demonstrate (on the demonstration software through the computer) is a web site called "partypoker.com", the largest web site in the world; it's estimated that they will gross over a billion dollars of revenue this yr alone. Later on in the afternoon or evening, I've seen the number of tables up to 9,000; I've seen players in the 60-70,000 range. (8.9) You can play any amount of money you want or use play money. When you use play money (many people do) you can accumulate chips & win prizes, then they sponsor a tournament where you're all playing for free money & it's a competition as it would be at your kitchen table. (10.9) There's been some suggestions in the newspapers that this is just like horse racing; I suggest this could not be further from the truth. When you go to the horse races, you're betting on whether or not a horse is going to win, place or show; you have no control over the horse or jockey; you don't know whether the horse has been doped or the jockey pd off ... here, you're making a decision every time the cards come up, whether or not you're going to risk any of your chips.

(demonstration complete) ND would be the first state to be regulated or license the site & "the early bird gets the worm". The reason they want these sites regulated is, when they're off shore, a player like any one of us, the first thing we think of is, "Is that computer program fair & honest, or do they have somebody playing for the house & are they fixing the game & stealing my

money?" The industry doesn't wish to steal anybody's money, because every time somebody plays, they take a little out of the pot, so they make their money whether you win or you lose, but there's the uncertainty of the players that there is something going on. They welcome & relish the regulation & the oversight of the game. (10.9) The players welcome & relish it, because you want to be assured, if you are playing for real dollars, that the game is honest. They have asked for the last few yrs, for a state to step forward & license & regulate them. I became aware of this game when I saw a CPA from Tennessee win the 2003 world series of poker & saw the reruns on TV. He actually qualified for the buy into the tournament (a \$10,000 buy in) in Las Vegas, by getting on the Internet, risked \$40.00 & won his way into the tournament & he won \$2.5 million dollars. Obviously, that doesn't happen everyday, but he happened to do that & I thought, "That looks interesting". So we have a lake home in Minnesota & I went over there & they had a poker table just like this & I sat down & played the game & got interested. I ordered a card player magazine, that is the guru magazine for the industry & in the industry they started talking about the fact that no state had stepped forward to license & regulate the industry. That's where the genesis for HB1509 & HCR3035 came from. I began talking to some of the people that are in the industry & I'll share with you what's going to happen in the future in the next couple of weeks. There's a concern by some about not regulating this game properly; in talking with industry representatives from all over the world in the last couple of weeks, there are software packages right now, that will overlay on that Internet site ... they will monitor every activity that will go on, every bet & payment made & all the people playing & betting. They also can monitor that no under age people can play the game, which was another concern. They also have timing devices, so to addresss the concern about problem gambling (if someone plays too long, that

they're going to lose all their money) they will monitor how much money people are putting in & the time line they're playing. If there's a certain amount of time that a person has been playing the game continuously. they will actually cut them off & stop them from playing to prohibit them from getting them into a problem. The money laundering is a problem & visiting over the weekend with a number of the people who will be coming here in the next couple of weeks, we have a wonderful entity in the State of ND called the Bank of ND. It's owned by the State of ND; the fit between the regulation by the Attorney General's office & the Bank of ND, where the money could be required to be deposited, can absolutely prevent any money laundering whatsoever, because the software that would monitor the games would be able to track everything & the Bank of ND would have access to all the records. In my discussion with them, they said this is a wonderful key that ND has no other state has, which makes it more attractive for the industry to want to come to our state. The industry & the players are becoming professional. I was thinking about the PGA (Professional Golf Assoc) where they register for their golf tournament, they pay money & they win money. The professional poker tour is a professional organization; they register for these tournaments, they pay & they can win money. The industry is being professionalized worldwide; there's a world poker tour, there's international tournaments & there's tournaments all over the US. In 2 weeks when HB1509 (companion to HCR3035) will be heard on the Senate side; there will be industry representatives coming to ND to talk about the ramifications of us passing this bill & the people of ND passing the amendment to the constitution. The names & their backgrounds of some of the people that will be here are as follows: Frank Catania (former Assistant Attorney General of NJ was the head of the AG's dept that regulated the gaming industry in NJ from 1994-1999), Patrick O'brien

(Ft Lauderdale, Fl, former 25 yr special agent with the US Customs Service where he served as a special agent in charge of South Fl & the Caribbean & Assistant Regional Commissioner in NY, where his primary responsibilities involved combating money laundering, drug smuggling & illegal exports of arms & technology), Nygell Payne (Group Chief Exec from Sporting Vet PLC in London). I've been visiting with these folks & they're the owners of Paradise Poker (the 3rd largest in the world). Nygell has testified before the British House of Lords & Commons on the UK gambling bill, the European Union in Brussels & in the past 30 days, which was interesting, he was in Washington, DC meeting with over 30 Chiefs of Staffs of US Senators, including Senator Dorgan's staff, regarding poker regulation in the US. Barry Schulman (Editor of Card Player Magazine, the largest poker magazine in business over the 18 yrs & promoter of regulation of Internet poker industry). Sue Schneider (CEO of Gaming News, her company arranges the national & international congregate conventions & events for the poker industry), Mike Sexton (the host of world poker tour, the hugely successful TV program featuring Texas Hold'em, played by professionals, also on the board of directors of Party Poker, the site we just looked at). Allen Jaffray Schulman (from Los Angeles, an Atty with expertise in federal laws as it pertains to poker). All of those, plus more; there will be professional poker players coming to ND. We have a 3 day schedule; they'll be arriving in Bismarck on Sunday, March 13th. March 14th, will be a day at the Capitol, where they will meet & greet the legislatures. Senators & House Members have a press conference at 11:00AM, meet with the Governor & the Attorney General's staff, then that evening there will be a big social event at the Civic Center, where we will have a presentation by the people on the stage. We're involving the Commerce Department of ND, we're asking the GNDA to be involved & to bring in business leaders from around the

state, so they can meet these folks. We're going to set up some Texas Hold'em Tables & use chips as you saw here, where anyone in audience who wishes to volunteer to play in the game will be able to do so. On Tuesday morning, the members will be testifying in front of the Senate Committee that will hear HB1509; they're excited about coming & I'm excited that they're coming. What is the potential economic impact to the State of ND if HB1509 becomes law & the people of our state approve a constitutional amendment? As I've stated, they're 1800 -2000 poker sites world wide. If 200 of these sites came to ND & I was talking to these people from around the world, they indicated to me time after time that "Jim, you have no idea what the impact to ND is going to be if you pass this legislation because of the job opportunity & the wealth that could come to our state. If we regulate those 200 sites & the key is, we will also be licensing the players at a \$10.00 license fee, there's estimated 300 million poker players world wide & my bill would allow for licensing of anybody in the world, it would not restrict obviously to ND. (20.3) I've thrown out a number, \$500 Million dollars of revenue per yr to the State of ND & as I've talked with these folks over the last week, since we've passed HB1509, they've said "Jim, you could be very low, based on the dollar amount that could be to your state." I asked them, "If you come to ND & other states pass legislation, would you pack up & move?" & they said "Absolutely not! You're the 1st state, & you have the Bank of ND, which no other state does; if we come to ND, we're staying."

The companion bill calls for 60% of the revenue that is generated out of the regulation & licensing of these sites, to go to the property tax relief of all the people of the State of ND, so \$200, 300, 400, maybe \$50 Million, whatever the number is, 60% of those dollars are going to go to reduce people's property tax. As we all know, people in our state are very tired of their

property tax going up & this is a way for this legislature to allow property tax relief for people of our state. 20% will go to the Education Fund Trust Fund to reduce education funding & the last 20% will go the general fund. I did not want to (on this bill) give the legislature all this money so we could figure out how to spend it foolishly; I wanted the people of ND to benefit to the tune of at least 80% of those dollars.

My last point is, this is a constitutional amendment & would require the people of ND to voice their opinion. If we pass a HCR3035, & the senate does & the Governor signs it, all we're giving is the opportunity for the people of ND to say "Yes, we want this industry to come here." or "No, we do not." I suggest, that is the prudent & the wise thing for this committee to do & for the assembly (on both sides of the isle) is to give this to the vote of the people & let our people decide. I think that when they hear the whole story, & when you hear the story when the professionals come here in the next 2 wks, I think you're going to say, "You know what, this is a legitimate opportunity."

The last statement, Mr Chairman; is the bill calls the rules & regulations to be written by the Attorney General & participation with the legislative body. Any concerns any legislators have about how this could be a scam, how it could be wrong, how it could not work properly in the State of ND, can be addressed in the rules when they're written. That is my intent, the intent is not to extend gambling; I submit to you that the Internet is here to stay, whether we pass this legislation or not, it is not going away. The Internet poker industry is here to stay, whether we pass this legislation or not, these will continue to grow; the estimation is they're growing at 10% per month in volume. What we are allowing to do, if we pass this congruent resolution, is to bring that industry to the State of ND, to give us honest, fair regulation & licensing & help

protect the people that are young, so they won't play; help problem gamblers, if they do have a problem, to be regulated & to help them get help. I can't see, Mr Chairman & committee members, any reason that we wouldn't want to move forward with this bill. I'd be happy to answer any questions.

Chairman Koppelman: (23.0) Any questions?

Rep Klemin: On L. 14, there's a change that you didn't mention, I'm assuming you didn't make that change itself from shall to may. Do you know what the effect of doing that is?

Rep Kasper: No, I don't, that was drafted by Bonnie Richter, Legislative Council ... it might be a clean up measure, but we can ask her why.

Rep Klemin: Sometimes clean up measures come back to haunt you. Doing a clean up on the constitution is not so easy to change. Also, the L. 23, the establishments must be located in the state & I'd like to have you define what that really means.

Rep Kasper: The site itself & the employees must be here. If it would give the committee comfort, I would suggest that in the rules, we'd clarify that in the bill. I'd have no objections to any clarification that might be more distinct & specific to address any concerns.

Rep Klemin: (24.1) With the sites being located here (of course, the sites on the Internet basically, as a computer program) does that mean that the hardware, & all the people that it takes to operate that hardware & to develop & run your software, must all be physically present in ND?

Rep Kasper: Precisely, that is the intent of the bill, that is what the industry understands about the bill & that is what they'd desire to do if this passes.

Rep Klemin: You had said that one of the major parts of this would be the customer service, so you're saying that the intent is that they couldn't take the customer service part of it & moved it to India, as have been done in other cases. Is that what you're saying?

Rep Kasper: Absolutely, without a doubt.

Rep Klemin: There are huge broad band needs that you mentioned; ND has been developing this broad band system, but with using up so much of the available band width, how would that effect the available band width for other current users in ND, who are also trying to develop their business or for personal use?

Rep Kasper: I don't think we could even come close to using up the available space of the broad band in ND, there's huge amounts of excess capacity that we've got.

Rep Klemin: You also mentioned that no other state has done this, explain that.

Rep Kasper: (26.1) Maybe no other legislator has stepped forward with the same passion & zeal that I have. Some people don't understand what this is all about, they haven't taken the time to look, or haven't contacted the industry as I have. I really can't tell you why, all I can tell you is that nobody has.

Rep Klemin: I understood from somewhere that the both the Clinton administration & the Bush administration have taken a position that doing this inside the US would violate a federal law. I know that you got a letter from the Assistant Attorney General saying that it doesn't violate this part of the federal law. Is that correct, that the last 2 administrations had that view point?

Rep Kasper: Yes, the law you're referring to is called the Federal Liar Act, which was passed in 1961 to prohibit gambling on sporting events, such as: football, baseball or whatever it may be. That law was drafted to prohibit the potential money laundering & betting on those sporting

events. District Court & Federal Court have ruled specifically that the Federal Liar Act does not apply to the Internet poker establishments. I talked this over with the Attorney General & his staff; they agree, you have a copy of the letter. The attorneys that I've talked to around the country are very confident that if this were ever tried in court, the State of ND would prevail under our state constitution & our rights compared to the federal constitution. They're not very concerned.

Rep Klemin: (27.5) What effect would this have on charitable gaming & the 2nd part of that, in respect to charitable gaming, is why couldn't any charitable gaming organization do this now?

Rep Kasper: I don't believe they could do it now, because they're restricted in the charitable gaming that they can provide under the Constitution of ND, so this is a step beyond. As far as, could the charitable institutions develop their own web site? They could, this would be a way for charities to expand their opportunity to raise dollars for the people of ND & the charities through hosting their own poker web site; absolutely, as long as they abide by the rules set up by the Attorney General & are licensed & regulated by the Attorney General's office, they would be able to do so. Any entrepreneur in ND, for that example, if they wanted to locate their site here, would be able to establish a business like this. It's not prohibited to these companies that are already coming in; other companies could do so as well.

Rep Klemin: (28.5) We're putting in to amend the constitution here & we're doing it specifically for Internet live poker, which really doesn't seem like a constitutional kind of level or thing to be putting in there; but why did you limit it to that? Why not just allow any kind of gaming, which would encompass Internet live poker or any other casino establishment, why don't we just open it all wide up?

Rep Kasper: I believe that would be going too far; the intent of my bill is to narrowly focus on Internet poker alone, I did not wish to open the gaming laws in the State of ND. I want to license & regulate the Internet poker activity that's already going on, so my intent is not to expand that area; the casinos are doing their gaming & the charities have their gaming. I want to leave those things alone; we just want to welcome this industry to our state.

Rep Kretschmar: (29.7) I believe that change on L.14 is part of the Legislative Council's method or style.

Rep Conrad: (30.2) As I understand, the Internet companies are looking for a state to regulate them to expand their market, right?

Rep Kasper: They're looking for a state to regulate them so they will be able to say, on their web site, that we are licensed & regulated by the Attorney General of the State of ND. It adds credibility & safety to the players who play the game; that is their desire, no state to this point has stepped forward to say, "We will do that". We would be doing that through the Concurrent Resolution & HB1509.

Rep Conrad: So they expect that their customers will come back to them because they'll think it's reliable &; isn't that why they're doing it?

Rep Kasper: Any business is in business to expand their business, so their intent would be; we can say to the world, these 300 million & some poker players around the world, that if you play our site that is in ND, where the money is deposited in the Bank of ND, that is licensed & regulated by the Attorney General & our programs are looked at by the Attorney General; you can play with the assurance that you're playing a safe & honest game. That would give them a competitive advantage over sites that aren't located here & that's exactly what they're saying.

Once these sites start coming to ND, the market is going to demand that the ones that want to compete with them are going to come here too, so it will be opening the doors for them to come, which will expand the opportunity for good jobs in our state.

Rep Conrad: (31.9) As I understand it in the Internet world, we would be creating a virtual Las Vegas. ND would become a virtual Las Vegas, so you won't have take a plane to fly to Las Veggies, you can just log on & gamble.

Rep Kasper: I think you're going way beyond what this bill does. Las Vegas has numerous types of gaming, they have all types of slot machines, all kinds of live poker, all types of other gaming. Again, I might remind you, Rep Conrad, that this is going on right anyway, so the question is not whether this gambling on the Internet poker is going to continue, that's not the question, because the Internet is here to stay & those sites are here to stay. The question is; is the State of ND & the people of ND going to benefit from us licensing & regulating & locating them here? Are we going to make the games honest? I submit to you, Rep Conrad, that that is a much bigger issue, then the issue you're talking about.

Rep Conrad: (33.2) All I'm asking, is that the Internet creates a whole different way of looking at the world, it's a whole different way of looking at the world. We don't have to put a stamp on an envelope. It creates a virtual world, because we have no direct contact with each other, so I believe this will create a virtual Las Vegas; ND will become the Virtual Las Vegas. People will come here to do their gambling; they won't have to fly, they won't have to drive, but they will come here to do their gaming.

Rep Kasper: (33.7) No, they won't come here, they'll sit at their computer, in their home in Texas, Connecticut, Florida, New York, Pennsylvania, Brussels & New Zealand & play on the

Internet; they will not come to North Dakota. Why would they come to ND & spend the money, when they click on, just like I did there? We're not creating a traffic of gamblers, we're creating a web site that will be regulated by our state & the people of our state will benefit from the revenue, that's what we're creating.

Rep Meier: (34.3) Canada currently has this type of gaming, correct?

Rep Kasper: Yes, there's an Indian Reservation that hosts some of these sites, I think it's in British Columbia & I can't tell you how many, but I know there are some.

Rep Meier: Do you have any idea how much revenue is going into Canada right now with the gaming?

Rep Kasper: I believe they're located on an Indian Reservation & I think it's under Indian Reservation Gaming Laws, in the nation of Canada, that they're able to be there. When the people from the industry come a couple weeks, that would be answer to get from them, I really can't answer that.

Chairman Koppelman: (35.3) You mentioned earlier, a site that was hosted in London & as you know, I'm on the House Judiciary Committee also, which passed the bill (I've passed a copy of HB1509 to committee members to refer to) & I believe what we heard in the Judiciary Committee was that most of these sites are offshore & yet there are apparently some that are Canadian or British. How would ND hosting sites like this make people more confident then playing a game in London or British Columbia?

Rep Kasper: (36.7) I can't answer that, that's a good question for when the industry representatives come, particularly Nygell Payne who I spoke with, from London, a couple of days ago. All I can tell you is that he was most excited about coming to ND, so there must be

something about those laws in the UK; Australia has national laws also that allow for these web sites to hosted regularly. I'd have to defer you to the experts.

Chairman Koppelman: (36.7) If we to locate & regulate them here, & you eluded to the fact that with the Bank of ND & with money flowing, people would know exactly who's betting how much & to make sure that we avoid people getting into too much trouble gambling too much. If that's the case, I assume that you're also monitoring how much they win. Are there income tax implications to this & would that be a disincentive for some of these players that might be playing offshore & say "No one will know how much I make" & though it's illegal, it might be saying "I'm going to make all this money & not pay any taxes. If I have to come to ND to play to speak (so to speak) virtually, then I have to pay my taxes.

Rep Kasper: I don't know the answer the answer to that question either, I would imagine that those would be confidential records, not open to the Tax Commissioner of our state. They're meant to confidential to the bank that monitors the activity & the sites themselves & the Attorney General. If the rules were written that we wish to open those records to the tax dept, that would have to be something that would have to discussed. I haven't even thought of that.

Chairman Koppelman: Is there a mechanism to cap property taxes by a like amount, would local tax entities still be able tax the same amount?

Rep Kasper: HB1509 requires that the amount of dollars that the Political Subdivision receives must then have a lowering of the mill levy in the property tax, so the intent is, you lower the mill levy, if they're going to raise the tax up, they're going to have to face the people's wrath, so we're not trying to create lower it here & raise it there.

Chairman Koppelman: My final question, with the employees coming in (executives, computer specialists, marketing & customer service jobs) one of things that has raised some eyebrows, since the lottery has been implemented, is the amount of money that's spent advertising & marketing the lottery. That sort of flies in the face of what we were told had already happened, which was that all we are trying to do is make sure that people who already play the lottery don't go across the river in Mn to do it, but do it here in our state, where we can tax & regulate it, etc. (could be apples & oranges) If marketing is involved & all the benefits for the industry you're talking about would occur by this happening in ND, I'd assume there's going to be a big effort to market this & to say "Come & play live Internet poker, it's based in ND, it's regulated there, it's safe, etc & that marketing would be nation wide or even world wide. I suppose you could make an argument to say, a lot of ND people in our state might be enticed to do it, it's right in our state, why don't we do it. Do you foresee that happening?

Rep Kasper: There's a big difference between the lottery, which is sponsored by the State of ND, & the advertising dollars that are being spent by the State of ND, compared to private business marketing their own business. I would submit that, that's a corporate decision those sites & executives are going to make on their own. Remember this, the more they market worldwide, the more revenue that is generated to the sites, the more tax dollars the people of ND are going to get to reduce their property tax & fund education. I also submit, right now the people of ND are playing & can continue to play on the Internet, whether or not we pass this legislation. Again, I want to get back to that point, whether we do this or not, the Internet is here to stay & the Internet poker sites are here to stay & they're growing by 10% a month. The question is, is ND going to get in front of it, are we going to regulate it properly, are we going to

benefit from the revenue stream & can we put in safeguards to make sure that young people are not gambling & that problem gamblers are helped & stopped? That is the intent, & the industry wishes to help do that. In my discussions with them, they have 6 key points (41.7) that they believe the regulations should address, all of which I shared with you & they all came from them, not from me. When you meet these folks when they come here, I think you'll be impressed, these are not low life gambling types, these are business executives that have great credentials & great backgrounds & believe that it's time that a state stepped forward to step into the regulatory stream & license & regulate the industry; they're asking for it & they want it & they'll be here to show you that they do want ND to be the state that does it.

Rep Klemm: (42.4) A follow up to your question on the income tax, I'm not sure how this works, but it's my understanding that there's some federal laws that require certain withholding from winnings at the casinos now for winnings. Federal law says that the casino operator must withhold a certain amount for federal income tax & that sort of thing; wouldn't that also apply in this situation?

Rep Kasper: Obviously, we have to follow federal law, number 1. Number 2, we have to follow state law, so whatever the law requires, the rules that are written by the Attorney General, with the legislatures input & the committee input, that writes the rules & regulations, should address that.

Rep Klemm: The Attorney General can't write rules that work around existing federal or state law on withholding of gambling proceeds.

Rep Kasper: That's right, I thought that's what I said, that we should address that state & federal law & follow it.

Chairman Koppelman: Thank for you for your testimony. I would remind the committee & the people in the audience, you're welcome to testify, but we have gone over time, so please make sure you don't repeat information that's already been shared, limit your testimony to your support or opposition & any new information you might have. With that, continue testimony in support of HCR3035.

Rep Thoreson, District 44, Fargo: (44.2) appeared in support of HCR3035. I want commend the committee for the tough questions you've asked Rep Kasper; these are things that need to be brought up when the industry representatives get here. The thing we need to remember is, whether or not this legislation goes through, we have these people in our state, probably several hundred or thousand, who are right now doing this. The numbers that we saw on the screen awhile ago, out of those 27,000 people, I would venture to guess that were quite a few North Dakotans in that pool. By passing this legislation, we'll make sure that those people are regulated by our state. I trust my bank that I bank with, because they're regulated by the State of ND, I trust my insurance agent because he's regulated by the State of ND. In this case, while it's a very different industry, I would hope that we would place the toughest regulations possible on these companies since they're doing this. It's an emerging industry & something we don't know a lot about, but we're going to have the opportunity to ask tough questions of the people when they come here & I think by doing that & giving the people a choice with this resolution; they will make the ultimate decision & hopefully & we will all benefit from it. With that I would be happy to answer any questions.

Rep Conrad: (45.9) If this an expansion of gaming, by regulating it, we are encouraging an expansion of gaming by saying, "It's trustworthy now", therefore legitimizing it ... isn't that what we're doing?

Rep Thoreson: The Virtual Las Vegas that you spoke of earlier exists today, it's on the Internet as we speak. By ND placing regulations on it, what we are saying is, at least you can trust that if you decide to go down this path of spending your entertainment dollars & that's what I would hope these are, I hope it's not money that you'd spend on bread or food or whatever. People who are gaining already, the serious gambler may be already using some of those dollars for those things & we need to address that & I think we do that with problem gambling programs & that type of thing. The thing we have to remember is, it's happening now, we need to make sure that if people are doing this, they can trust that the money they are putting into this is not being siphoned out somewhere illegally. I don't see as an expansion; I understand we may have a difference of opinion on this; I'm not one who traditionally believes in an expansion of gaming & I think I made that point when I spoke on the House Floor last week on HB1509, but in this case, it is something that's going on. I think we have to take it by the reigns & pull it in & say it's time for us make sure that it's legitimate & regulated tight. The industry is already expanding on it's own so 10%, whatever the numbers are, it's happening now so I don't see us regulating it as being a marketing tool for them to say, come on in now, it's time to expand it greater.

Rep Klemin: (50.2) This Internet live poker right now seems to be the latest fad in the gaming & we are amending the constitution here, which is not something we take lightly; wouldn't it be more appropriate to amend this to something more generic, like Internet live gaming rather than

poker? It would obviously include poker, but it would include the next fad that might come along 2 yrs from now. What are your thoughts on that?

Rep Thoreson: We're looking at 1 specific industry because it is something that's expanding & growing right now. There's probably all kinds of forms of gaming on the Internet; I don't play online so I'm not certain what's available out there. From what I've seen & heard this (Internet live poker) continues to grow & I'm guessing that it's just in it's infancy stage now. As for amending the constitution, it's something we don't do very often; I believe it's a living, breathing document that was designed to allow for amendments if the people should choose to do so. In this case, that's what we're really talking about; the purpose of this resolution is to give the people a choice, not us as legislators, but the citizens of the state.

Rep Wielder, Dist 30: (52.6) appeared in support of HCR3035. The real issue with this concurrent resolution is to give the people of ND a chance to vote on it. This is too big of an issue to take lightly or to set aside for something we shouldn't do. We need to let the people decide, just think of the possibilities.

Rep Conrad: Do you have many constituents that are playing Internet poker & have you heard from them?

Rep Weiler: (Tape 1, Side B beginning) No, I don't know of any of my constituents that play poker.

Rep Mark Dosch, Dist 32: appeared in support of HCR3035. I am not a poker player, I've never played online. It's not about whether you like poker or not, I believe this bill is about whether you want to regulate it or not. Rep Kasper played the game right here in this room. It's unregulated & uncontrolled, in fact the only controls on it are 3rd world & offshore countries. I

believe this is an emerging industry, one that needs to be regulated & controlled on our terms, not someone else's. If we're the 1st one out there, like the saying goes "the early bird gets the worm", & I believe that there could be some substantial financial benefits to the state by regulating this industry. Rep Conrad, in anticipation of your question, you're concerned about an expansion of gaming, I believe that the ones who probably shouldn't be playing maybe are the ones that are playing now, & my question back to you is, what controls are there out there now for these people? There is none & it should be regulated on our terms.

Rep Klemin: (2.5) ND is not going to be able to regulate this world wide industry but only those parts of it that choose to submit to the jurisdiction of the State of ND & physically locate here, would you say that's correct?

Rep Dosch: That's my understanding. One of the reasons I'm not out there playing is because you're dealing with their offshore companies & I don't think it's idea; I'd prefer it regulated.

Rep Klemin: You still make it sound like we're regulating this industry, when really, we can't do anything with these offshore operations. We, in the State of ND, can only regulate those that physically locate here & submit to the jurisdiction of the State of ND.

Rep Dosch: That's true, but this is something the industry itself wants; they want to come to the US & operate out of here, so there is some legitimacy to all of this. We can't protect people from themselves.

Rep Klemin: There would actually be nothing to prevent the company from locating here & still operating another offshore, is there?

Rep Dosch: I can't answer that.

Rep Iverson, Dist 27: (4.4) appeared in support of HCR3035. Yes, this will be a virtual Las Vegas, without any of the crime or corruption of that city, it will be very boring. The other thing this will do when we represent it here is right now, this is the Wild West, the Indians can attack the village. What we want to do is bring the Cavalry here to protect the people that will be playing this. When they come in they'll be regulated & they will pay for the privilege of coming here & letting the Attorney General regulate them & go through their books. Another concern is when you talk about the virtual Las Vegas; if you were to go to one of these sites, basically what you would see is a rack of servers with some geeky guy drinking Mountain Dew sitting at a computer monitoring this. That's what this is, it's a web site, it's not like a TV show where you have all this glitz & glamor, it's a business.

Rep Klemin: How will you pay for this, will it come off, does it come off of a credit card?

Rep Iverson: You go to the site & you can give them your credit card information, or there's pay tel's or you can send them a check or money order, which ever way you decide. They will deposit that in the bank for you, they will credit that to your account & you'll be able to start playing with money; when you win, they will send a check to your bank. To address your concerns with money laundering; a smart criminal will take their money & fly to The Bahamas with a large chunk of money & deposit it there & their friends will set up a shell corporation & send their money back to them. All of a sudden, that money they laundered is now clean. This will stop that. They will come here, be legitimized & won't be able to do that. There's software right now that you can buy to monitor that.

Rep Conrad: (6.7) We will become dependent on these dollars if we get this, we will no longer have property tax, we will have revenue from this gaming industry?

Rep Iverson: Yes, we'll have revenue, but I don't submit that we would become dependent on it with the formula.

Rep Conrad: The history of gaming is that 1 game becomes popular & after a period of time that falls off & another game becomes more popular. As Klemin asked, why we just focusing on poker, maybe when technology comes out, maybe we want to open it up, because if we become just dependent on poker & people start playing another game & we haven't kept up, we could see some huge tax increases.

Rep Iverson: I don't believe you'll see that. The people that play this game play for long term. As far as the tax concern, you will see a rise initially, but it will level out just like sales tax. I'm not a tax expert. The gentlemen coming will tell you that the popularity of the game is not localized in our state, it's worldwide. It's bringing dollars from around the world to ND for uses in ND.

Rep Kasper: Do you think the people in your district would object to their taxes going down or maybe even disappearing?

Rep Iverson: No.

Rep Kasper: (9.6) If 1 yr, your constituent's property tax were reduced by 30% & each yr reduced up to 60%, & then went up 10%, would they still have saved money over those 3 yrs?

Rep Iverson: Yes

Rep Sandvig: (10.0) What does it cost to go online & play the game of poker?

Rep Iverson: You have to pay your online access fees, for your Internet service. I don't believe it costs anything to get on these sites; you can play for fun, the only time it costs you money is if you decide to play for actual dollars.

Rep Sandvig: As far as property tax, is there anything in there for relief for renters?

Rep Iverson: I don't think there's any direct provision that you would get a break on your rent.

Chairman Koppelman: recognized the students from Wilton, ND.

Carol Two Eagel: (11.4) appeared in support of HCR3035. I play poker (not online) & I do know that regulation can have positive effect. I once made \$11,000 on \$700 dollars worth of bets, through the satellite dish. The company was dishonest & they had my credit card. I had a terrible time getting my \$700 back & then finally the \$11,000. It was a lot of extra work, now if I want to gamble I go to a harness track, which means I'm not gambling in ND anyway. This could have a very substantial impact on Indian gaming & I think there needs to be something in HCR3035 or HB1509 to address that.

Rep Kasper: (13.6) Under the bill, any Native American person, casinos, tribes or colleges could start their own web site. As long as they're licensed, regulated & located in the State of ND. This would not effect the gaming industry.

Chairman Koppelman: I want to remind everyone that our time is running short, I wanted to allow as much latitude as possible because we're dealing with companion pieces of legislation. The bill has already been passed in the House. Any further testimony in support, if not in opposition?

Warren Dekrey, Chm of the ND Council on Gambling Problems: appeared in opposition to HCR3035. (See attached testimony)

Rep Kasper: (21.9) Would you agree that the Internet is here to stay?

Dekrey: I'd assume it is, until we find something greater.

Rep Kasper: Do you also agree that as we sit here, the potential for kids in ND, under the age of 18, to play poker on the Internet in these offshore, unregulated sites?

Dekrey: There's no question that it's there today.

Rep Kasper: Wouldn't you agree that if it's licensed & regulated under ND law (ND computer law would prohibit use from playing on the Internet & would cut people off if they were spending too much money) would be better for the youth & the problem gamblers than what they currently have today?

Dekrey: It sounds like that would be a good way, but how do we know that we, as a state, would absolutely be able to regulate & enforce it, because right now they can play on the Internet; how can we prevent them from playing?

Rep Kasper: I'll rephrase my question; those sites that would be located in ND would be licensed & regulated & did prohibit youth & cut off problem gamblers; would it be better for those folks, if they were on those sites that had that protection under ND law?

Dekrey: It could be, but I don't see a way to see a way to keep these kids from gambling if they want to. I don't see that this is a very viable way of handling it.

Arthur A. Link: appeared in opposition to HCR3035. I'll refer to the speech of the proponent..

In his presentation, in reference to horse racing, he said "You don't know anything about the horse or if the jockey may have been bought off." I must ask this question, "Is this a case of the stove calling the kettle black?" In other words, there's no one that can write the rules for this game of gambling that would keep everybody on this track. This bill would invite the offshore gamblers, who have been referred to as, operating with limited supervision, to become active in ND. It was suggested that they're looking for a place to operate, where they could have as limited

supervision as possible. They'd bring some of the world's largest syndicates to work in ND as was demonstrated by the recent case of horse racing operated, supposedly under the supervision of the state. Why wasn't it? It was operating for a relatively short time & involved over \$90 Million dollars; this tells you something about the industry of gambling & I think we'd get our house in order before we invite them to get involved. The bill calls for it to be regulated by the state; who is the state? It's You & I & the people we elect to public office to do those things, to regulate; it falls on the Attorney General's office; it just says it shall be regulated by the state, he's got his hands full now. This is a very questionable situation.

Chairman Koppelman: (40.5) Any further testimony in opposition to HCR3035? Hearing closed.

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HCR3035

Constitutional Revision

☐ Conference Committee

Hearing Date 3-1-05

Tape Number	Side A	Side B	Meter #
1		x	27.9 ---- end
2	x		1. ---12.6
Committee Clerk Signature <i>Diane Dean</i>			

Minutes:

Chairman Koppelman: (27.9) We have HCR3035 to act upon & that's Rep Kasper's Internet poker resolution.

Rep Kasper: I have some amendments being distributed.

Rep Kasper: I will move the amendments **Rep Meier** seconded it

Rep Kasper: These are simple amendments, the 1st one changes on L. 10, P. 1, from general election to primary election. The reason for that is a number of legislators just had a mtg with the AG & I had been concerned about this before, as I've been having discussions with some of the poker folks that are going to come to ND next week. There's going to be a whole lot of time needed to put together the rules & regulations on the Internet poker bill if it's voted on by the people. The idea (*can't understand*) 2007 legislative session is going to have a final look at it just as a we did with the lottery bill, we had a long process there. This puts it on the primary ballot so that if the voters approve it, there's a longer period of time before the session starts so

we can get the AG working to get the people involved to start working the rules & regulations.

The 2nd amendment, when we read L. 21-24, Rep Klemin pointed out the cumbersome language that was there & I agreed. I worked with Vonnie Richter & other LC to try to simplify the language & that's what the intent of these amendments are. **(see amendment for details)**

Rep Klemin: (30.9) By removing the word live, would that mean it would just be a computer game, not played with other live players?

Rep Kasper: No, it has no effect.

Rep Klemin: But I believe you can play poker on a computer now, there are poker computer games that don't involve any live person on the other side & by removing live, I think basically what we'd be offering here is computer video gaming, because it wouldn't have to be live if you took that word out.

Rep Kasper: The resolution, if you go on to read it, states that the business (the Internet poker) must be located in the state & marketed & regulated by the state. My intent is not to cause discomfort, if you have a more comfort level with the word "live", I have no problem with it, this is what LC came up with.

Rep Klemin: I don't want to make any misunderstanding here, I don't intend to vote for this no matter what, but by removing the word "live", we take out any requirements that it be live, whether that's intended or not, it's subject to interpretation.

Chairman Koppelman: What about the word "Internet"? It implies playing poker on the Internet.

Rep Klemin: What Rep Kasper demonstrated to us was a lot of people doing that out of the Internet.

Rep Klemin: So you could be playing against a computer program on the Internet, with not a lot of people is your point?

Rep Kasper: In listening to Rep Klemin's concern, it may be better to leave the words "Internet live poker establishments" in there because I want it to be clear that the establishment is a business & live is in real time. If it went back to "as the legislative assembly shall authorize Internet live poker establishments located in the state & licensed & regulated by the state". That may be clearer, that is the intent, there's no intent to do anything but that.

Chairman Koppelman: So in the 2nd line of your amendment, where it says P. 1, L. 22, you'd be deleting all language after the 2nd remove, is that correct?

Rep Kasper: Yes.

Chairman Koppelman: So would you care to make a motion to further amend your amendments?

Rep Kasper made a motion to "Further Amend the Amendments" Rep Meier seconded it.

Chairman Koppelman: Any further discussion?

Rep Conrad: (36.4) Rep Kasper, in your conversations with the AG, do you have any idea of the cost of writing those rules & if we have the appropriations to write the rules there?

Rep Kasper: On HB 1509 there is \$720 some thousand fiscal note. I'm meeting with the AG today & he said he doesn't know if it will be more or less, but he said his staff worked with what they thought would be a reasonable number. Next week when the representatives from the industry will be here, 1 of the representatives, or more, will be dealing with the cost of the software to establish the proper regulation & oversight of the industry & he will be meeting with those people in his office with his staff.

Rep Conrad: Will the industry people explain to the AG how the AG should regulate them, is that what you're saying?

Rep Kasper: What I'm saying is, there will be industry representatives that have knowledge of software programs that are available right now for purchase that regulate & monitor Internet sites & they will be sharing with the AG the availability of the software from certain vendors so that the AG may *(can't understand)*.

Rep Klemin: I have a problem with the change on L. 14, where we're changing "shall" to "may". I think it should stay as "shall", because I don't care what you tell me, "shall" & "may" are not the same thing & if you think they are, then lets change the word "shall" down on L. 22 to "may" ... I don't Rep Kasper would agree to that. They do have different meanings, I think "shall" is more directory & it really doesn't effect anything about his intent.

Rep Kasper: (39.7) That was LC's decision, not mine.

Chairman Koppelman: (40.1) We could accomplish that Rep Klemin, by further amending the amendment before us. To do that, I would suggest that we insert a new 2nd line to the amendment (if we were to do that) that would basically read P. 1, L. 14, replace "may" with "shall".

Rep Klemin: Actually, it would remove the overstrike over the "shall" & then remove the word "may" would be underlined.

Rep Klemin Made the Motion to Further Amend the Amendment Rep Meier Seconded it
Voice Vote passed motion carries

Chairman Koppelman: So the further amended amendment before us includes that language, plus the language we've removed from the 3rd line.

Rep Kasper: I have no problems with the amendments.

Chairman Koppelman: If no further discussion, we'll have a **"Do Pass Motion"** on the floor for the amendment which is has now been amended twice. The vote we're taking now is on the amendment as it's been twice amended.

Voice Vote passed

Chairman Koppelman: The motion carried, the resolution now stands before us in it's amended version.

Rep Kasper made a "Do Pass as Amended" motion Rep Kretschmar seconded it

Rep Conrad: (44.1) I cannot support this & the major reason for me is because it causes the State of ND to become dependent on gaming in a way that I don't think we should be & I can't recommend it to the people. I feel like when I put my name on this, I'm recommending that the people consider this, that it's a worthy idea. I don't think it's something we should be doing in ND, we've allowed gaming for non profit, we've allowed gaming on Indian Reservations where they meet economic development (*can't understand*), we allowed gaming with the lottery in a very small way. To me this puts ND in a position where I don't think we want to be in the future, so I cannot recommend this to the people & I will vote against it.

Chairman Koppelman: (45.1) Just FYI, I used to debate 1 of your colleagues on the House Floor, about several gambling issues & 1 of my arguments was that the people had spoken on that issue many times & we knew what they wanted & we shouldn't put a resolution like this before them & we defeated it again & Rep Maragos & others took it before the vote on an initiated measure & the people changed their mind.

Rep Conrad: We can act 2 ways, 1 is where we recommend it to the people & the other is where the people say we want this on our ballot & if the people want this; get the petitions, go out & do the hard work.. I haven't heard from any constituents that they want it or that they don't want it; what I've heard is that they can't imagine that we'd get involved with this.

Rep Kasper: (47.2) The reality of where we're at today is, the Internet #1 is there & #2, the Internet poker sites are there & growing ... that's reality. The industry is progressing at the rate of about 10% /mo increase & they estimate a 2% market share of where they will be some time. The industry also has been asking through numerous times by article, interviews & by people who are in the industry for 1 state in the US to step forward & regulate them. They want to assure the public that there games are fair & honest, they want to assure that no youth underage will play these games (they have software to do). They want to make sure that if there's gaming addiction that that's taken care of & prevented. They're a business just like any other business, they're an Internet service provider that happens to have the game of poker as their business. Poker's been around for 400 yrs. *(end of tape 1, on to tape 2, side A)* When we as a state the size of ND, struggle for revenue to help fulfill the needs of the citizens of our state, we look for ways to increase business & jobs in ND; this is an industry that will employ anywhere from 10-40 people per web site & there's 1800-2000 of them around the world. When we appropriate millions of dollars to the commerce dept to try to go out & promote businesses to come to ND to create jobs & create opportunities for the people of our state with good paying jobs. When we have an opportunity to welcome an industry to our state that desires to be here & regulated, I would submit to this committee & the rest of the legislature, you may want to eat your words after you meet these people. The idea of this resolution is to let the people decide; all we are is a

committee making a recommendation to put it on the ballot. Ultimately, the people always will decide. There's nothing but good that can come from the regulation of this industry.

Rep Klemin: (3.7) Everything Rep Kasper says could be accomplished if we repealed sect 25 out of this Constitution, that way we would have wide open gaming like they do in the state of Nevada. I would oppose that & for a lot of reasons, I can't support this, I don't think it's the right thing to do. No matter how much money we make on this, I don't think our lives should be governed by the prospect by making a lot of money by someone else's problems & losing money. I will vote against it.

Rep Kretschmar: In my judgment, if sect 25 would be removed from our Constitution, it wouldn't open ND to wide open gaming unless the legislative assembly would pass the record & statutes to allow that.

Rep Meier: *(can't understand)*

Chairman Koppelman: The question has been called, I'm not sure how we handle this in committee, do we vote non-debatable?

Rep Klemin: We're probably already to vote anyway.

Chairman Koppelman: If no further discussion, we'll take roll on a "Do Pass as Amended"

Recommendation on HCR3035.

3 Yes 3 No 1 Absent & Not Voting

Chairman Koppelman: That means that the Do Pass as Amended Recommendation Failed, is there another motion?

Rep Conrad: Can we make a recommendation on no recommendation.

Chairman Koppelman: We'd probably have to try a do not pass first.

Rep Klemin moved a "Do Not Pass" Seconded by Conrad

3 Yes 3 No 1 Absent & Not Voting

Rep Conrad made a Motion to Send HCR3035 to the Floor Without Committee

Recommendation Rep Klemin Seconded it

Rep Kasper: (7.2) No recommendation means what?

Chairman Koppelman: It usually means that the committee is deadlocked. I think it also could mean that the committee decided not to make a recommendation, but traditionally it means there's a deadlock.

Rep Klemin: We just went over this in the GVA Committee & it was decided there didn't have to be a motion to go without committee recommendation.

(discussion about recommendation went on that was hard to understand)

Rep Conrad:

Chairman Koppelman:

Rep Kretschmar:

Rep Klemin:

Rep Kasper:

Rep Klemin:

Chairman Koppelman: I don't specifically what rules say on that, I do tend to defer to our Vice Chairman because he's had a lot of experience chairing committees, including this one & so I would be inclined to chair the rule that the motion is in order & we should vote on it.

Rep Klemin withdrew his second

Chairman Koppelman: Is there another second?

Rep Conrad: If I withdraw my motion then it goes blank?

Chairman Koppelman: You can do that but I don't think you'll get a second. Is there another second seeing none, **the motion has died for lack of a second.** That leaves us with what Rep Klemin was talking about, **To Send Forth Without Committee Recommendation.** I'm going to ask Rep Kasper to carry this to the floor.

Rep Conrad: (10.4) How about if we do this the way we did it in GVA, you explain that there was no recommendation & anyone who wants to speak can speak.

Rep Kasper: That may be a better way, because I don't wish to be limited on the recommendation.

Chairman Koppelman: My intent in saying that, was just to let Rep Kasper speak to the issues, but he can do that as a member.

Carrier: Chairman Koppelman

(12.6) Adjourned.

March 1, 2005

House Amendments to HCR3035 - Constitutional Revision Committee 03/02/2005

Page 1, line 4, remove "the establishment of"

Page 1, line 5, remove "establishments"

Page 1, line 10, replace "general" with "primary"

Page 1, line 22, remove "the establishment of" and remove "establishments."

Page 1, line 23, remove "The internet live poker establishments must be"

Re-number accordingly

Date: 3-1-05

Roll Call Vote #:

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. *HCR 3035*

House **CONSTITUTIONAL REVISION** Committee

☐ Check here for Conference Committee**Legislative Council Amendment Number**

Action Taken

To Amend

Motion Made By REP KASPER Seconded By REP MEIER

Seconded By[illegible]

Total	(Yes)	No
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Absent ~~1~~ /

Floor Assignment

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

Incomplete
Didn't follow Robert's Rules
per Ann

Date: 3-1-05

Roll Call Vote #: 2

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. *HCR 3035*

House **CONSTITUTIONAL REVISION** Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken

Action Taken To Pass As Amended

Motion Made By

Motion Made By Rep Kasper Seconded By Rep Kretschmar

[illegible]

Total (Yes) 3 No 3

Absent 1

Floor Assignment

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

Date: 3-1-05
Roll Call Vote #: 3

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HR 3035

House CONSTITUTIONAL REVISION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass

Motion Made By Klemin Seconded By Conrad

Representatives	Yes	No	Representatives	Yes	No
Chair Koppelman	<input checked="" type="checkbox"/>		Rep. Conrad	<input checked="" type="checkbox"/>	
Rep. Kretschmar, Vice Chair		<input checked="" type="checkbox"/>	Rep. Sandvig		<u>AB</u>
Rep. Kasper		<input checked="" type="checkbox"/>			
Rep. Klemin	<input checked="" type="checkbox"/>				
Rep L. Meier		<input checked="" type="checkbox"/>			

Total (Yes) 3 No 3

Absent 1

Floor Assignment Chairman Koppelman

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

Failed - Sent forth
w/o recommendation

REPORT OF STANDING COMMITTEE

HCR 3035: Constitutional Revision Committee (Rep. Koppelman, Chairman)
recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **BE PLACED ON THE CALENDAR WITHOUT RECOMMENDATION** (3 YEAS, 3 NAYS, 1 ABSENT AND NOT VOTING). HCR 3035 was placed on the Sixth order on the calendar.

Page 1, line 4, remove "the establishment of"

Page 1, line 5, remove "establishments"

Page 1, line 10, replace "general" with "primary"

Page 1, line 22, remove "the establishment of" and remove "establishments."

Page 1, line 23, remove "The internet live poker establishments must be"

Renumber accordingly

2005 SENATE JUDICIARY

HCR 3035

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HCR 3035

Senate Judiciary Committee

☐ Conference Committee

Hearing Date March 23, 2005

Tape Number	Side A	Side B	Meter #
1	X		5428 - End
			0.0 - 5600
Committee Clerk Signature <i>Maria L Solbey</i>			

Minutes: Relating to article XI of the constitution of ND relating to Internet live poker.

Senator John (Jack) T. Traynor, Chairman called the Judiciary committee to order. All

Senators were present. The hearing opened with the following testimony:

Testimony In Support of the Resolution:

Jim Kasper, Dist. #46 - Introduced the resolution (meter 5500) This is a constitutional amendment to let this go before the voters June of next year. Purpose of the bill is to authorize Internet live poker, authorized by the state. In the US there is no regulation in the UK and Australia there is. Huge market and industry sources claim to have 50 million poker players. Growing industry. We need to regulate it to control the problems. cited the problems (meter 5890) Referenced Nigel Payne (meter 6000) and how the UK regulates. This would result in jobs and technology for ND. Chris Money Maker phenomenon. Referred to killed bill. This is not an expansion of gambling it is controlling an industry. My original numbers were wrong.

They are less then what I thought cause I calculated it incorrectly. My "sources" say that they are in fact as high as I originally state. Some do not want our state to profit from this sort of revenue.

Sen. Trenbeath stated that the citizens of ND have the right on every issue Section 25 of ND Constitution prevented this assemble for authorizing any games of chance, it has been eroded somewhat and you want to erode it more. Why do we not put it forth to the people to repeal the whole section? This is like being nibbled to death by ducks. **Rep. Kasper** responded that if he would like to initiate the motion, he would not want to do it. **Sen. Trenbeath** responded that he knew why... they would not vote on this. That is not the reason. **Sen. Trenbeath** stated that this resolution would be more palatable if it would allow, rather then mandate the act. **Rep. Kasper** that it is for the people to decide. We tried to let the legislation mandate it on SB 1509 and the Senate decided not to go forth with it. **Sen. Trenbeath** asked if he new why? and told the representative it was because of the constitution. Should not the constitution if it were to be amended, amend it to remove the impediment rather than mandate an action? That is not the intent of the bill and that is not what I support, the representative answered.

Rep. Mark Dosch, Dist. #32 Gave his support (meter 899) This is our "golden goose" This does not authorize any physical growth of this industry. Bring jobs and revenue to ND along with 10-20% property tax relief Let the people of ND vote for this.

Rep. Ron Iverson, Dist. #27, Gave his support (Meter 1098) We risk nothing having the people vote for this. GA has passed a similar bill. Senator Hacker asked for the facts on GA legislation.

Rep. Blair Thorson, Dist. #44, Gave his support (meter 1224) Discussed a personal experience when shopping.

Rep. Dave Wieller, Dist. #30, Gave his support (meter 1341) There will be a state or two who will pass this and we will regret not doing it.

Rep. Andrew Maragos, Dist. #3 (meter 1415) The house could have passed this legislation basing it on their experience with the lottery legislation. Discussed the opportunity of putting legislation before the people of ND. Sited money spent was on the opposition side of the lottery it did not cost us anything. **Sen. Traynor** asked how the word got out with out any advertising. Rep. Maragos responded that the News and Views Program and newspapers were in favor of the vote and did a lot of advertising by following the issue.

Senator Hacker questioned the multi million dollar industry dropping millions of dollars campaigning the issues? Cited the harnessing of the activity to generate income.

Brook Lyter, small business owner - Support (meter 2230) the bill and gave his testimony - Att. #1

Mitch Shook, Dealer and run a poker room. (meter 2887) I am a member of this industry and get a great amount of positive feed back from others in the business. Discussed his leagues business as a charitable organization. This bill does not effect my business or income. Let us the people vote for the issue. This industry exists to the toon of billions of dollars. Discussed much of what has been already discussed in this committee today.

Senator Syverson questioned why the department of justice has not shut the doors down on the offshore sites? They have no legal authority to mandate other countries.

Testimony in Opposition of the Bill:

Warren DeKrey, Chairman of the ND Council on Gambling Problems (meter 3586) Gave Testimony - Att. #2 If the legislation votes for this it tells the people that we approve of it.

Gov. Arthur Link, Former ND Governor, Gave Testimony (meter 4310) This is not economic development, it produces nothing of a tangible nature only a very few jobs. This legislation is to allusive for us to do. If we pass this gambling will increase, it will only entice people to do more. I do not want ND to be known as the "Poker Capital of the World".

Sophie Pressler, member of Dist. #35 The people you have mostly heard from all have something to gain if it passes. I have confidence that you will vote the law and justice way. Vote what the whole of the people would not what the few want.

Senator John (Jack) T. Traynor, Chairman closed the Hearing

Sen. Trenbeath discussed hog housing the bill to take the mandate out of it (shall to may), discussion of making this a repealer and the comparative to the lottery bill (meter 5749).

Sen. Trenbeath made the motion to Hog House the amendment taking out the mandate "shall/ Require to may/allow and **Senator Triplett** seconded the motion Vote was split:

For: **Sen. Trenbeath, Sen. Nelson, Senator Triplett**

Against: **Sen. Traynor, Senator Syverson & Senator Hacker**

Sen. Trenbeath made the motion to Do Not Pass and **Senator Hacker** seconded the motion.

Vote was split: Against; **Sen. Traynor, Senator Syverson and Senator Triplett**

For: **Senator Hacker, Sen. Trenbeath & Sen. Nelson.** Discussion

Senator Syverson made the motion to Do Pass and **Senator Triplett** seconded the motion.

Vote was split: For; **Sen. Traynor, Senator Syverson and Senator Triplett** Against: **Senator Hacker, Sen. Trenbeath and Sen. Nelson.** Discussion

Senator Syverson made the motion With out Committee Recommendation and **Sen. Trenbeath** seconded the motion. All members were in favor and the motion passes.

Page 5

Senate Judiciary Committee

Bill/Resolution Number HCR 3035

Hearing Date March 23, 2005

Carrier: **Sen. Traynor**

Senator John (Jack) T. Traynor, Chairman closed the Hearing

Date: 3/23/05
Roll Call Vote #: 7

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 3035

Senate Judiciary Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Trenbeath Amendment

Motion Made By Senator Trenbeath Seconded By Senator Triplett

Senators	Yes	No	Senators	Yes	No
Sen. Traynor		✓	Sen. Nelson	✓	
Senator Syverson		✓	Senator Triplett	✓	
Senator Hacker		✓			
Sen. Trenbeath	✓				

Total (Yes) _____ 6 No _____ 0

Absent _____ 0

Floor Assignment _____

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

Date: 3/23/05
Roll Call Vote #: 2

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 3035

Senate Judiciary Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass

Motion Made By Senator Trenbeath Seconded By Senator Hacker

Senators	Yes	No	Senators	Yes	No
Sen. Traynor		✓	Sen. Nelson	✓	
Senator Syverson		✓	Senator Triplett		✓
Senator Hacker	✓				
Sen. Trenbeath	✓				

Total (Yes) _____ 6 No _____ 0

Absent _____ 0

Floor Assignment _____

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

Date: 3/23/05
Roll Call Vote #: 3

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 3035

Senate Judiciary Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Senator Syverson Seconded By Senator Triplett

Senators	Yes	No	Senators	Yes	No
Sen. Traynor	✓		Sen. Nelson		✓
Senator Syverson	✓		Senator Triplett	✓	
Senator Hacker		✓			
Sen. Trenbeath		✓			

Total (Yes) _____ 6 No _____ 0

Absent _____ 0

Floor Assignment _____

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

Date: 3/23/05
Roll Call Vote #: 4

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 3035

Senate Judiciary Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Without Comm.

Motion Made By Senator Syverson Seconded By Senator Trenbeath

Senators	Yes	No	Senators	Yes	No
Sen. Traynor	✓		Sen. Nelson	✓	
Senator Syverson	✓		Senator Triplett	✓	
Senator Hacker	✓				
Sen. Trenbeath	✓				

Total (Yes) _____ 6 No _____ 0

Absent _____ 0

Floor Assignment Traynor.

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

REPORT OF STANDING COMMITTEE (410)
March 24, 2005 9:54 a.m.

Module No: SR-54-6000
Carrier: Traynor
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HCR 3035, as engrossed: Judiciary Committee (Sen. Traynor, Chairman) recommends
BE PLACED ON THE CALENDAR WITHOUT RECOMMENDATION (3 YEAS,
3 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HCR 3035 was placed on the
Fourteenth order on the calendar.

2005 TESTIMONY

HCR 3035

**Chairman Koppelman & members of the Constitutional
Revision Committee**

**My name is Warren DeKrey, Chm. Of the ND Council on
Gambling Problems**

**I appear in opposition to HCR 3035 Which I understand to be
illegal. This bill would put the State of ND in the business of
regulating off-shore internet poker. This bill is asking the
people of ND to vote for something which is illegal. Why bring
this questionable activity before our people for a vote, knowing
it is illegal?**

**The real question is: why would off-shore want to come to ND
and be regulated? When has gambling really wanted to be
regulated?**

**For example, this session has seen charitable gambling asking
for less and less regulation. Requests have been for raised bets,
extended hours, 14-7 , and more games. Previous sessions have
been similar, and in addition, often requesting a high percent
of earnings for operations, which now are over 50%.**

HCR 3035 just doesn't add up.

**Would off-shore gambling be interested in the general good of
ND and would they strive to improve ND? Lets be honest
about all of this. They are interested in money and only
money. Their only interest is in whatever will help them make
more money.**

**The most recent federal study on gambling, the 1999 Gambling
Impact Study Commission noted that in states heavily involved
in gambling the gambling industry spent large amounts of
money in various ways and lobbied extremely hard and very
effectively for their own interests. The members of the**

Commission also agreed that there is a need for a "pause" in the growth of gambling.

The gambling industry is not interested in economic development. In fact gambling is reverse economic development, merely a redistribution of wealth, rather than a 3-5% multiplier expected in the business community.

HCR 33035 requires the legislative assembly to authorize the establishment of internet live poker establishments. That is all that it specifies. We have just been through a similar situation in the Lottery Bill. We were told it was just the Power Ball. Now look at what we have: Power Ball, Hot Lotto and Wild Card 2. In addition the State has indicated plans to add 2 more games and maybe even 3. Should HCR 3035 become a reality we can be absolutely sure that the next step will be to legalize electronic video gambling, or what is usually called slot machines.

High speed gambling machines – "Internet Gambling"- are the "crack cocaine" of gambling, very highly addictive. Youth are twice as likely to be addictive as adults. America should not be exporting such an addictive and dangerous product to a world that is looking to us for better leadership.

What are we teaching our people, especially our youth, don't work, just gamble and you get rich. ND needs to build its financial structure on a solid economic base. A good example is the Bank of ND. Another good example is the State Mill & Elevator. These ventures have been a source of pride to North Dakotans. Can we really have that sense of pride in a gambling venture?

Gambling and crime have long been associated together. We have just seen a very good example in a horse racing lawsuit in Fargo. We are familiar with the

Susan Bala court case and the alleged participation by the Gambino crime family of New York. Susan Bala has been convicted in ND and both Gambino's and Bala have been indicted by a grand jury in NY awaiting trial according to recent newspaper accounts. This is a good example of major crime getting involved in gambling. The moral of the story is – crime likes to follow gambling and then finds a way to avoid taxes. This bill has the potential of getting ND in a lot of trouble we don't need.

Gov. Link testified at a committee hearing that "Gambling has an insatiable appetite that can never be satisfied".

He also is quoted as saying "Are we so bankrupt in ND that we have to depend on the whims of people who wish to play gambling games"?

We have been hearing of huge financial gains for the State from internet poker, all based on gambling revenue from State supervision of internet poker. This may well be pie in the sky, certainly not a sound economic basis for sound government.

Is money everything – or is this just the lure of money, regardless of source – or greed?

An old adage says: If it sounds too good to be true – it usually is.

I urge a no vote on HCR 3035

I believe that deep down most of us know that gambling is not good for our people, our state or our country. It teaches people to expect to get something for nothing. It is treated as fun and games even though we know some people really get hurt. Not a healthy philosophy. Our state is now in the gambling business, with the lottery, encouraging its citizens to gamble to help finance the state budget. We are caught up in this frenzy of finding new ways to gamble in the name of financial support for the state.

I firmly believe that some day after we face up to the effects of gambling on our state, we will realize there are better ways to finance our state than through gambling, which ultimately works the greatest hardship on those who can least afford it, and which ultimately effects all of us through broken homes, financial disaster, ruined careers and crime.

Wednesday, March 23, 2005

Re: HCR 3035

Brook Lyter
Dakota Poker League
2360 7th Ave E
West Fargo, ND 58078

Mr. Chairman and members of the committee:

My name is Brook Lyter, I am a small business owner/entrepreneur and resident of West Fargo. I am 33 years old, father of two, homeowner and law-abiding tax paying citizen. I have several hobbies, I play baseball in the summer, basketball in the winter and I really enjoy playing poker.

As a poker player, I do not consider myself a "gambler". You will not find me playing slot machines or blackjack or any game where the odds are stacked with the house. I enjoy playing poker because I am playing against real people and skill matters.

I began playing cards as a teenager with my uncles during hunting season and always enjoyed and looked forward to those occasions. Several years ago, the guys on the baseball team starting getting together to play tournament style Texas Holdem, and it became an instant hit. To scratch the competitive itch, I developed a point system to determine the best player and kept track of the results on a website and this was quite popular.

This idea carried over and earlier this year I organized a free-to-play poker league called Dakota Poker League. The purpose of the league is to provide entertainment and an alternative outlet for poker players. The league is not associated with charitable gaming and there is no gambling whatsoever as there is never an entry fee to play. There are over 1400 people and growing involved in the league in 15 cities & towns across the state. Players compete for a chance to win prizes put up by sponsors including free entries to local charitable events as well as nationally televised poker tournaments.

A large number of players in the league play online poker. Online poker is very popular and is an excellent source of practice due to the fact you play against real people in real time.

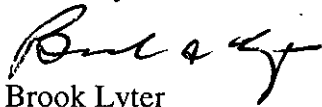
However, if I want to play for real money, the only option is live poker tournaments at area casinos or charitable tournaments, where I would need to budget \$100-200 or more for the buy-in, plus travel expenses. The tournaments dates would have to work with my personal schedule. With online poker, I could enjoy a tournament online in the comfort of my own home, at the time of my choosing, and at the stakes I could afford. For

example, online you can play in \$2 tournaments with 1500 players and play for hours. There are no options for games like that elsewhere.

According to industry statistics, online poker is a multi-billion dollar industry worldwide and the majority of players are based in the U.S. However, the industry currently exists offshore is not regulated anywhere in the U.S. It seems logical to me that with poker being so popular and so many people playing online, that online poker should be regulated.

I thank the committee members for their time and urge support of passage of HCR 3035 to continue the debate on regulating internet poker. I know I speak for the vast majority of the members in my league who would appreciate the opportunity to vote and have their voice heard on this issue.

Sincerely,



Brook Lyter
2360 7th Ave. E
West Fargo, ND 58078
701-277-0202

Chrm. Traynor & Members of the Judiciary Committee

My name is Warren DeKrey, Chm. Of the ND Council on Gambling Problems

I speak in opposition to HCR 3035

HCR 3035 would amend the ND Constitution to require the the legislative assembly to authorize the establishment of internet live poker establishments.

This is a very serious action, amending the Constitution for a very frivolous item. The Constitution of ND is the supreme law of the land, superseded only by the National Constitution and should only be amended after very serious and careful consideration. This proposed amendment would trivialize the importance of our Constitution.

This bill, if approved by the Legislature and if approved by the people of ND would be require the Legislature to do something they know is illegal. This just doesn't make a lot of sense. We are asking the people to vote on something illegal and if the bill passes, the Legislature is required to do something illegal. And all this is done with full knowledge that all of this is illegal.

HCR 3035 would require a vote of the people. If the Legislature approves this bill it goes to a vote of the people. This gives a tentative approval of the bill. If the Legislature defeats this bill it sends a strong signal that the Legislature disapproves of it.

The voters have voted you in as Legislators and have given you their respect and confidence that you will make the necessary decisions on the issues before you.

The recent article in the Saturday March 12, 2005 issue quoting AG Stenehjem made it very plain that HCR 3035 is unconstitutional and that he would need a court order indicating it was not violating federal law before proceeding.

You may recall that the House decisively defeated a bill which would have changed poker from its present 2 tournaments a year, to allowing it all year long. HCR 3035 would be asking the people to approve internet poker 24-7, which in turn would realistically open up poker full time.

The Senate acted decisively Tuesday on HB 1509 and I would strongly urge a no vote on HCR 3035.