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ROLL NUMBER

DESCRIPTION

3052

2007 HOUSE CONSTITUTIONAL REVISION

HCR 3052

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **HCR 3052**

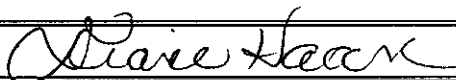
House Constitutional Revision Committee

Check here for Conference Committee

Hearing Date: 2-21-07

Recorder Job Number: 3618

Committee Clerk Signature



Minutes:

Chairman Koppelman: Opened the hearing on HCR 3052.

Vice Chairman Kretschmar, District 28: Introduced HCR 3052 to allow North Dakota to have an in state lottery because our current constitutional amendment allows the state to participate in (*can't understand*) state lotteries and that went into effect in 2001 and the records show that it's been quite successful in our state. It would seem to me that we should build on that success and allow the state of North Dakota to have their own lottery within interstate lottery and keep all of the money. I suppose there will be some objections from people who don't think lottery is the best way to go. I'd like to build on Rep Weiler's testimony on oil and that is that everyone believes that someday it will run out, but I don't think we'll ever run out of people who have a little money ... you can buy lottery tickets. Mr. Keller from the lottery office is here to fill in some of the details. I believe if this measure were to be approved by the legislature and the people of our state, that it would be need of legislation.

Rep Boehning, District 27: Appeared in support of HCR 3052. I think it's something we can pass out of the House and let the people of North Dakota decide if they want the in state lottery.

Chuck Keller, Director of the North Dakota Lottery: Made himself available for questions.

Rep Owens: A number of other states running multi state lotteries also have in state lotteries, is that true?

Chuck Keller: Every (*can't understand*) association has in state games.

Representative Owens: Would the way it's worded here ... would that include all the associated scratch off games, or various games you see in other states or would that be restricted to a similar number lottery?

Keller: The proposed constitutional amendment would on it's face enable the North Dakota lottery to conduct it's own in state game similar to the South Dakota Dakota Cash game or the Minnesota Gopher game, etc. It would also the North Dakota lottery to conduct games of instant tickets or as they're commonly called scratch offs.

Representative Meier: How much money did North Dakotans spend on the lottery this past year?

Keller: For calendar year 2006 the lottery ticket sales were just over \$22.7M.

Representative Meier: How much payoff towards North Dakotans did that lottery pay back?

Keller: The total prizes for the calendar year of 2006 were \$11.3M and of that amount, the amount that was won by North Dakota players was \$9.5M and the balance of \$2.2 was channeled through the (*can't understand*) association to fund grand prizes by those states that have jack pot winnings. North Dakota did have several wild card two jackpot prize winning tickets. I'd also like to add some clarification to Rep Owens ... you'd asked if the constitution would allow North Dakota to conduct it's own in state games ... actually, the present constitution already allows the North Dakota Lottery through legislative approval to conduct multi state online games (which we are doing) and multi state games of instant tickets; however, the intent of the lottery law is to authorize the lotto to restrict itself to only conducting multi state online games, not multi state instant ticket games. In reality, there are very few

multi state instant ticket games ... a few lotteries in the county have partnered to produce joint instant ticket games, but it's not something that's very popular.

Representative Owens: Would this change if this was approved?

Keller: Most state lotteries, if not all of them, besides their own instate, like instate online games, they may have pick 3 games or pick 4 games, which are numbers games, we don't have the (*can't understand*) in North Dakota. We also have, depending on the size of the state; some states have from 10 to several hundred different games they produce each year for their players. The South Dakota lottery probably issues 2 or 3 new instant ticket games each month for their players.

Representative Klemin: The purpose of this lottery is to gain some money for funding purposes ... how much money did we actually net for those other purposes?

Keller: In the calendar year of 2006, the amount that was earned by the lottery, as lottery profit was \$6.9M out of total ticket sales of \$22.7M ... from that amount \$200,000 was channeled to the compulsive gambling prevention treatment fund and the state general fund would see \$6.3M and there's an additional amount of \$406,000 that would be available for the general fund that has not yet been transferred.

Chairman Koppelman: When gambling was being established in North Dakota the advocates were saying the North Dakotans were already playing the lottery, they were just doing it in neighboring states and the whole premise for allowing it in North Dakota was to allow them to buy them in our state and for us to get the benefit versus going to another state. Do you think the people of North Dakota are clamoring for a larger lottery, an instate lottery?

Keller: The lottery will certainly administer and regulate any type of gaming that the legislature legalizes, the legislature answered the question on April 22, 1977, when it legalized the (*can't understand*) and it answered your question in 1989 session when it legalized the

... racing industry and again in 2003 when it created the lottery industry. I'm flattered at this point that you're asking me for my opinion. Many of our players have asked the lottery, when will we be getting instant tickets? In preparation for your questions today I contacted the Minnesota State lottery and asked them what percent of their total instant ticket sales and what amount are being played or won by North Dakota players because it's easy to track and their answer was that North Dakota players purchased about \$3.2M of scratch tickets in Minnesota and that was virtually unchanged from their previous estimate in 2000.

Chairman Koppelman: If we were to adopt an instate lottery, latching on to what's already existing, is less extensive then for our state to administer because it's already there ... would you see this as being a huge cost?

Keller: It would be very easy for the lottery to put into place an in state online game ... our infrastructure is already in place.

Warren DeKrey, North Dakota Council of Gambling Problems: appeared in opposition to HCR 3052. This bill would introduce more gambling into the state of North Dakota. Why do we need more gambling in North Dakota, don't we have enough right now? The state legislature has a responsibility of protecting its citizens and this bill will affect the people who can least afford it and there are the 3-5% of the people who end up with addictive problems. So far I've heard that no one's out there demanding that we have more gambling or lotteries, especially the lottery ... there may be some people who want more gambling in the lottery style. We have only so many dollars in North Dakota ... this would tend to take dollars away from other gambling or from other sources such as families, creating family problems and crime problems. The other part is that now if there is more competition the other gambling industries have to have higher levels in our awards and longer hours, more games ... it's competition ... one feeding on the other. If you look at all of the gambling (the wagering) that

we did in the last fiscal year, we wagered \$283M in North Dakota ... we're increasing every session. This year we've had at least 8 bills asking for increased dollars and benefits to be competitive because some other type of charity is getting more dollars than we are. When the state promotes the lottery, we're telling them that this is the way to get rich, which isn't true ... most people don't win ... they're saying goodbye to their money. Quoting Governor Link ... "Gambling has an insatiable appetite which is never satisfied." I would hope you would say no to this resolution.

Chairman Koppelman: If no further opposition to this bill, we'll close the hearing on HCR 3052.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HCR 3052

House Constitutional Revision Committee

Check here for Conference Committee

Hearing Date: 2-26-07

Recorder Job Number: 3915

Committee Clerk Signature *Diann Heer*

Minutes:

Chairman Koppelman: We'll take a look at HCR 3052.

Vice Chairman Kretschmar: This would allow in-state lottery ... it would also allow scratch off tickets *(can't hear most of what he's saying)*

Representative Conrad: This is my second session and there doesn't seem to be as much interest in gaming and I think that's a reflection of the people not being that interested. Without anyone coming to testify I don't feel we need to expand this lottery.

Representative Klemin: If I were a voter voting on this, I would certainly not be thinking of scratch off tickets. I would be thinking of something like we're doing now, only the state doing it and I'm not quite sure how we get from in state lottery to scratch off tickets, but that's apparently the way it would be interpreted by the Lottery Commission as I understood Chuck Keller. He also said \$3.2M of these types of tickets were bought by North Dakota residents in Minnesota in 2006. I'm having a problem with the term in state lottery ... it's almost like we should be starting our own power ball.

Chairman Koppelman: I suppose if we were to amend the constitution that would allow us to do that, that may not be the intent.

Representative Klemin: I'm not nearly so opposed to the concept as I was once because of what we have now.

Representative Meier: What are our neighboring states doing?

Vice Chairman Kretschmar: *(can't hear ... Minnesota something)*

Representative Owens: *(can't hear much)*

Chairman Koppelman: I respect Rep Kretschmar, but I believe I'm going to oppose the resolution only because I have seen in my time here the continuing growth and the quest for expansion of various types of gambling in the state and I've also had occasion to listen to some of the folks that are victims of gambling addiction. Gambling addiction is a concern but furthermore, as some of you know, when former Rep Maragos was in the legislature and brought resolutions regularly on gambling expansion and we voted about 5 times and said no every time and then he gave up on us and went to the people and had an initiated measure campaign and it worked ... they voted it in. It was promoted under the guise that we are creating a lottery so that the people of North Dakota that already buy lottery tickets can buy them here. We've continued to have expansion games and expansion in size and scope ... I'm just sharing my personal view, but maybe it's broad enough as Representative Conrad said, if the people really want this we'd be hearing more about it ... if the committee chooses to adopt it, that's ok with me.

Representative Klemin: As I said, the problem I have is how will in state lottery be interpreted as we've discussed here today it could be anything you want it to be.

Chairman Koppelman: It does say, the legislature shall authorize, so I assume it would be up to the legislature to decide what the games are going to be.

Representative Klemin: Did the legislature pass a law that allowed this \$28,000 *(can't understand)* ... 4th game ... I don't remember anything about that?

Chairman Koppelman: I think the law that we passed was permissive enough to allow the lottery itself to decide what some of the games would be.

Representative Klemin: So really, it's not the legislature that decides these games, it's the Lottery Commission.

Chairman Koppelman: Right now it is.

Representative Meier: Do we have a ballpark figure on what this would cost if passed?

Vice Chairman Kretschmar: I have no information on that ... if it passed, it would be up to the legislature and the lottery board would look at that.

Representative Conrad: I'll make a motion for a **DO NOT PASS**

Representative Klemin: I'll second it.

Chairman Koppelman: We'll call the roll on a DO NOT PASS

Yes 5 No 4 Absent 0

Carrier Representative Griffin

REPORT OF STANDING COMMITTEE

HCR 3052: Constitutional Revision Committee (Rep. Koppelman, Chairman)
recommends **DO NOT PASS** (5 YEAS, 4 NAYS, 0 ABSENT AND NOT VOTING).
HCR 3052 was placed on the Eleventh order on the calendar.