

**2013 SENATE POLITICAL SUBDIVISIONS**

**SB 2177**

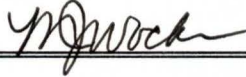
# 2013 SENATE STANDING COMMITTEE MINUTES

Senate Political Subdivisions Committee  
Red River Room, State Capitol

SB 2177  
January 24, 2013  
17705

Conference Committee

Committee Clerk Signature



## Explanation or reason for introduction of bill/resolution:

Relating to rent allowed for gaming machines

## Minutes:

You may make reference to "attached testimony."

**Chairman Andrist** opened the hearing on SB 2177. All senators were present.

**Senator Joe Miller** was the prime sponsor. See written testimony #1.

**Rudie Martinson**, Executive Director of the North Dakota Hospitality Association. In support of SB 2177. See written testimony #2.

**Senator Dotzenrod**: Do you have any information for us on the number of sites where the rent is being charged and what share of those are at the maximum right now? Do we have quite a few that are at the maximum at this time.

**Rudie Martinson** replied I think you're probably right about that. I don't have an exact figure for you. I would point out that this is a cap and it's not a minimum rent as a cap, but that being said since it has been 12 years and it is still only \$275 I would guess the majority, a large majority are probably at the cap without having an exact number for you.

**Chairman Andrist**: Since we established legalized gambling for charitable activities this seems like it is a marketing thing. If they charge too much the charity just can't make it, they will just quit. So it seems to me like perhaps the market place can figure this out for itself. What is your sense how it would affect the charities?

**Rudi Martinson** replied unfortunately we're not operating under a situation there as long as there is a cap where the market can figure it out for itself. I don't have a strong history in the background of charitable gaming in North Dakota and the last increase was well before my time. I do believe that some of the smaller charities probably would have a problem with their no cap at all. In fact I guess all the charities would have a problem with it. That is not what we're after. We're not looking to bankrupt any charities or cause any harm to the causes that these charities donate money too. It was our thought that after 12 years and as inflation and costs have raised it would be reasonable to come and ask for a little bit more money for our side of things.

**Senator Judy Lee:** If I missed your message please correct me, but, I have an amendment in front of me that would change it and I was wondering what Mr. Martinson's impression was of the amendment. Have you seen that?

**Rudie Martinson** responded he did not see the amendment, and Senator Lee showed him the copy of the amendment. I guess I don't really have a problem with that. It seems like it would be the same effective change either way. I don't know the history of why the rents shake out like they do and the Century Code has several paragraphs that dictate rents that are allowed for black jack tables or black jack tables and pull tabs or if there is the paddle wheel. It is a fairly complicated place that we've arrived at. In terms of this amendment in particular I don't have a huge problem with that.

**Senator John Grabinger:** Who was it that proposed these amendments? **Chairman Andrist** I am sure we'll get testimony on that. **Senator John Grabinger:** Okay.

**Senator Jim Dotzenrod:** Where did the bill come from? Do you have an annual meeting of your members or do you poll your members or did this come up as a resolution at an annual meeting? Was this something the members voted on of your association or how did we get to where you got the bill to this point?

**Rudie Martinson** replied that were run by a Board of Directors. That Board of Directors includes representatives from the restaurant, lodging and retail beverage industries. We do have an annual membership meeting. I believe it came up at a Board of Directors meeting, where a couple of our directors that do represent the retail beverage industry had mentioned that they were hearing throughout their daily dealings and talking with fellow business representatives that are in the same industry that there was some movement among the membership that it was time for this to come up a little bit. How we arrived on the exact number focusing on pull tabs rather than on things like paddle wheels or black jack tables I don't remember. We actually had a meeting with the Charitable Gaming Association and they had expressed that due to some of the things that had happened with their gaming taxes last session, in some cases, and in more cases than they were comfortable with and because of that tax change, the expense to operate black jack tables had actually gone up for some organizations. They asked for no rent increase for black jack tables on top of that. During those meetings we worked out that this was something that our organization could live with.

**Keith Lauer.** Director of the Gaming Division for the Attorney General's Office. We are really neutral on this and it is between the Hospitality Association and the charities. (See written testimony). We made a proposal and submitted that to Senator Miller that really the last sentence in that new language is not necessary anymore if you're going to combine the two and make it \$400 for either one. So we did propose the amendment that went with this and I believe that Senator Miller had no problem with it. If he would've been here to testify, he would have told the committee this.

**Chairman Andrist:** In effect, the amendment just simplifies the language, it really doesn't change anything?

**Keith Lauer** responded correct. It takes apart if you pay \$400 if you have one or the other and then another \$400 if it's both, lets' just simplify it by taking that last sentence out. That is what we did. We don't have a position one way or another on this; we are just providing information for the committee to make an informed decision.

**Senator Anderson:** I don't understand the rent deal, but maybe you could explain to us how many different gambling scenarios are involved in these facilities, and if the rent adds up for each one so that you can get to \$1200 or how does that work?

**Keith Lauer** responded what it is you get so much per 21 table, and the total of \$300 if your bets are more than \$ 5 for each necessary 21 table at a site. Then you get additional money if you have pull tabs at the site. Now originally back in 1983 when the first limits were put on these, there was just a limit on the number of 21 tables; there was no limit on pull tabs. But what ended up happening in the late 1980's is that the charities that had the most amount of money could afford to go into and pay the most amount of rent and so that is why these limitations were put in place to begin with. So that you didn't have just the larger charities that had deeper pockets who are able to have the better sites in the state., The Legislature came in and set limits on how much you can pay per 21 table and how to pay for just pull tabs if that is all you have. This particular bill only affects sites that have pull tabs only. It does not increase the rent, it's currently being paid up to a maximum of \$300 for each 21 table, and an additional \$175 if you have pull tabs at those same sites. About one half of our sites would have just pull tabs only. It would affect about half of them and pull tabs, last year we had \$293 Million wagered in charitable gaming pull tabs were over one half of that about \$154 Million was wagered just in pull tabs last year as opposed to all the gaming in the state. Is that getting to your question?

**Senator Anderson** responded yes to a certain extent. However, the bill also mentions paddlewheels. I am wondering apparently paddle wheels and pull tabs are thrown into the same bucket, is that it and the \$400 is the maximum for both or what?

**Keith Lauer** responded no this only affects sites with pull tabs only. It would not change the rent that is currently allowed for site that has 21 tables or paddlewheels. This one just affects pull tab sites only. There are separate rent amounts that are maximum rent amounts that are allowed on paddlewheels or 21 tables that our necessary at a site. By necessity, the State Gaming Commission has said that table gets used at least 13 times per quarter; so at least one time a week. (Example given 15:03-15:24)

**Senator Grabinger:** I think we have to be clear these are up to these amounts. These are negotiated between the charity and the establishment where they are being held. Correct?

**Keith Lauer** responded that is correct. However, just as a note, if the rent goes up to \$400 I can almost guarantee that most of the sites will go up to \$400. That is just the reality of it. If a charity is not willing to pay the maximum they will probably find a charity that will be able to pay that or wants to pay it to get that site. It is the reality of the gaming world.

**Senator Judy Lee:** I wrote down \$290 M in charitable gaming in 2012, and you said about half was pull tabs, but I didn't write \$154 M out of the \$293 M was pull tabs last fiscal year. Just to clarify for me, in first place I think pull tabs are so messy. Because there is stuff all



over the floor which doesn't happen in a 21 table it seems to me there is a lot more work for the establishment owner. Also, the employee in the bar has to verify so there is more work really from the owners of the establishment that is required with pull tabs than there would be with 21 tables.

**Keith Lauer** responded I think you're correct. Last fiscal year \$293 Million was the second highest fiscal year we've ever had. The highest one was when the Legislature first authorized the pull tab dispensing devices. Back in 1994, we were almost at \$ 297 Million. We are seeing at in the western part of the state; a resurgence particularly in pull tabs. (Example shared) The bar owners do redeem the winning tickets for the charities. The level or work involved, I guess I cannot speak for that. This would not probably change any of the rent in the major cities in the state because they have 21 tables at a lot of their sites.

**Chairman Andrist:** Are there other factors that come into play when the charities are negotiating with bar owner or whoever their host is?

**Keith Lauer** replied the only other factors that I ever hear of is some of the bar owners (example given) 19:06- 20:20. It is entirely up to the board to decide where they want to spend their money.

**Chairman Andrist:** It is your sense that there are charities based in the larger cities, they are prepared to raid or compete for the charities in the local bars?

**Keith Lauer** responded are you talking about if this bill goes through an increase the rent.

**Chairman Andrist:** Or both! **Keith Lauer:** In some cases that is the case. Our local charity that is relying on volunteers and then you have a charity that is full time and has paid employees. I think those ones with paid employees have an advantage over those that have volunteers because the volunteers certainly don't want to spend all of their time going out and servicing machines and replenishing the tickets in the machine and repaying the bar owner and then going to bank depositing the proceeds and everything. I think some of the larger charities that have full time employees probably do have a little bit of an advantage.

**Chairman Andrist:** That was partial answer. Is it a real concern from the smaller charities to take care of the baseball team or the hockey club if those larger cities will be raiding their territory?

**Keith Lauer** replied we did have back when the first pull tabs dispensing devices first came in, we had one charity that opened 130 sites in the state. Since that time the Legislature has limited the number of sites that a charity can have in the state to 25. Now there is a provision where they can get an additional 5 sites if no other charity wants to go into those sites. So we do have caps on the number of sites that a charity can in the state of North Dakota now and that is somewhat limits that concern (example given 22:14-22:20).

**Ken Karls** is adopting a neutral position on SB 2177; represents the Cystic Fibrosis Association of North Dakota. See written testimony. (22:43- 28:27)

**Chairman Andrist:** Ken you say you are testifying in a neutral position, and yet according to your spreadsheet you see it likely cutting your revenue in half. In that course, that presupposes they will all charge the \$400 rent. Is it your sense that they would?

**Ken Karls** responded I don't think in this case they would. I don't think they would but I don't know yet. I don't think we have a feel yet for what the increased activity in the state as a result of the oil play is going to do. Some of these sites are not refers to the four quarters (29:24-29:28). If that continues to happen some of these sites are going to become more valuable to others. When they become more valuable to others you're going to probably have to pay maximum. The other side of that is and here's my neutral position, if we continue to make more money I can afford to pay more. So, I'm just laying it for you. I want you to consider it and if you see to make some modifications that make everyone keep everyone happy that is good. But I did want to as a gaming operator who has a small site and has some sites that have both blackjack and pull tab. I wanted you to have the benefit of that input.

**Senator Judy Lee:** In looking at the numbers in the two examples the actual and the proposed \$221.77 the tax numbers are the same but the total when I added up on my calculator is \$894.02 but in the upper example you've got \$752.36. Can you explain why those numbers are different when the items being added up are the same?

**Ken Karls** paused and then stated evidently the top one is in error. **Senator Judy Lee:** The top one is inaccurate, the top one is not the sum of those four numbers and I can't imagine that the tax number would not be the same. It is not going to affect the outcome.

**Ken Karls:** What happened is I did this spreadsheet at 9AM this morning and rushed out to the capitol and evidently I made a mistake, my apologies for that. I will be more accurate the next time I appear before you.

**Senator Jim Dotzenrod:** In the expenses column on the first example which is actual figures of current law, it is \$4257 and then under the terms of this bill, it is \$6,657 and I thought the way we did this in North Dakota with our law is that when the charity did their books and did the accounting, and they needed to submit their taxes to the state, that they were allowed to take out 60% of adjusted gross as expenses. That is what it is 2177, it is 60%. But in the first example it is not, its' about 38%. So are these figures actual expenses instead of the expenses that you would use to account for computing your tax. There are actual expenses. Then they would reflect the change in rent in this bill. I assume that is where they are, they are not expenses as used to compute your tax.

**Ken Karl** replied that is correct. These are actual expenses. This is actually what it cost and frankly if it costs us less than 60% it just means that more can go to the charitable gaming. I am concerned that it will be exceeding the 60% because then we have to take that and find money elsewhere to reimburse that.

**Senator Ron Sorvaag:** Rudi, we talk where they are really busy with the pull tabs. It is a mess, lots of work to clean up but aren't they improving their bottom line by the sale of their product, isn't that the purpose of bringing this in more than making rent off the pull tabs; but to get more customers to make more money. I am looking at the multiplier, if it's so busy

with pull tabs that there is stuff all over should be pretty good for the bottom line for the other product they sold. Not a negative.

**Rudi Martinson** responded I believe that is probably the genesis of the original relationship between charitable gaming and bar owners. Yes I would agree with you that is the general concept. I think if you asked all of the charities out there and all bar owners out there you would find a wide variance of opinion on what amount of that would happen anyway or what comes from the gaming. You would find varying opinions on both sides of that.

**Senator Jim Dotzenrod:** In listening to the case you've presented here to the committee, it seems to me what your argument is well, times have changed, there is a certain amount of inflation, and because well the last increase was this many years ago, it sort of time for a change. There's been no attempt on Mr. Martinson's part to sort of demonstrate or document for us that some expenses have gone or that we've got a new environment where the cost to the owners have demonstrated these expenses we used to have are now higher therefore, because we do have these demonstrate able expense increases for us we need to cover those. If just appears that you're primarily saying to us, it's been over 10 years, we can't really prove we've got any higher expenses but a lot of time has gone by so why not let us have a higher cap. It seems like that is your argument. Am I wrong?

**Rudi Martinson** responded that if he hasn't made it clear enough that he could bring in specific numbers about increases in utility rates, increases in labor rates in particular or one that has hit our industry in particular very hard especially in the western part of the state. It is just not easy for anyone to find good help especially in our industry when we're not looking for particularly highly skilled laborer and that sort of thing. So this is probably the cost category that has increased the most for us.

**Chairman Andrist** closed the hearing on SB 2177.

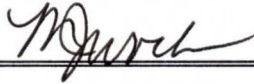
# 2013 SENATE STANDING COMMITTEE MINUTES

Senate Political Subdivisions Committee  
Red River Room, State Capitol

SB 2177  
January 25, 2013  
17692

Conference Committee

Committee Clerk Signature



## Explanation or reason for introduction of bill/resolution:

Relating to rent allowed for gaming machines

## Minutes:

You may make reference to "attached testimony."

**Chairman Andrist** reopened the hearing of SB 2177. All senators were present.

**Senator John Grabinger** stated that it was recommended that we adopt the amendment.

**Chairman Andrist** asked if there was no opposition to the amendment.

**Senator John Grabinger** replied no.

**Senator Judy Lee:** Just for purposes of moving along, I move a do pass on SB2177 on the amendment. I am moving the amendment which would delete those last three redundant lines.

2<sup>nd</sup>: Senator Grabinger

Roll Call vote: 6 Yea, 0 No, 0 Absent

Senator Judy Lee: I move do pass as amended on SB2177

2<sup>nd</sup>: Senator John Grabinger

Roll Call vote: 5 Yea, 1 No, 0 Absent

Carrier: Senator John Grabinger



**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/15/2013**

Amendment to: SB 2177

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties	\$0	\$0	\$0
Cities	\$0	\$0	\$0
School Districts	\$0	\$0	\$0
Townships	\$0	\$0	\$0

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This bill increases the rent which can be paid from the 60% expense allowance for gaming organizations which has no fiscal impact on the state or political subdivisions.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 provides for 2 rent amounts to increase within the 60% expense allowance currently provided.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

N/A

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

N/A

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

N/A

**Name:** Kathy Roll

**Agency:** Office of Attorney General

**Telephone:** 701-328-3622

**Date Prepared:** 01/21/2013

**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/15/2013**

Bill/Resolution No.: SB 2177

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties	\$0	\$0	\$0
Cities	\$0	\$0	\$0
School Districts	\$0	\$0	\$0
Townships	\$0	\$0	\$0

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This bill increases the rent which can be paid from the 60% expense allowance for gaming organizations which has no fiscal impact on the state or political subdivisions.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

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3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

N/A

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

N/A

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

N/A

**Name:** Kathy Roll  
**Agency:** Office of Attorney General  
**Telephone:** 701-328-3622  
**Date Prepared:** 01/21/2013



January 24, 2013

VR  
1/24/13

PROPOSED AMENDMENTS TO SENATE BILL NO. 2177

Page 1, line 7, after "involving" insert "either"

Page 1, line 7, overstrike "but not" and insert immediately thereafter "or"

Page 1, line 8, overstrike "If pull tabs is conducted"

Page 1, overstrike line 9

Page 1, line 10, overstrike "not exceed three"

Page 1, line 10, remove "four"

Page 1, line 10, overstrike "hundred dollars."

Renumber accordingly

Date: 1-28-2013  
 Roll Call Vote #: 1

**2013 SENATE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. 2177**

Senate Political Subdivisions Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken:  Do Pass  Do Not Pass  Amended  Adopt  
 Amendment

Rerefer to Appropriations  Reconsider

Motion Made By Sen. Judy Lee Seconded By Senator Grabinger

Senators	Yes	No	Senator	Yes	No
Chairman John Andrist	✓		Senator Jim Dotzenrod	✓	
Vice- Chairman Ronald Sorvaag	✓		Senator John Grabinger	✓	
Senator Judy Lee	✓				
Senator Howard Anderson, Jr.	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment \_\_\_\_\_

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

Date: 1-28-2013  
Roll Call Vote #: 2

2013 SENATE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 2177

Senate Political Subdivisions Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken:  Do Pass  Do Not Pass  Amended  Adopt  
Amendment

Rerefer to Appropriations  Reconsider

Motion Made By Sen. Judy Lee Seconded By Sen. Grabinger

Senators	Yes	No	Senator	Yes	No
Chairman John Andrist	✓		Senator Jim Dotzenrod	✓	
Vice- Chairman Ronald Sorvaag		✓	Senator John Grabinger	✓	
Senator Judy Lee	✓				
Senator Howard Anderson, Jr.	✓				

Total (Yes) 5 No 1

Absent 0

Floor Assignment Sen. Grabinger

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

**REPORT OF STANDING COMMITTEE**

**SB 2177: Political Subdivisions Committee (Sen. Andrist, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (5 YEAS, 1 NAYS, 0 ABSENT AND NOT VOTING). SB 2177 was placed on the Sixth order on the calendar.

Page 1, line 7, after "involving" insert "either"

Page 1, line 7, overstrike "but not" and insert immediately thereafter "or"

Page 1, line 8, overstrike "If pull tabs is conducted"

Page 1, overstrike line 9

Page 1, line 10, overstrike "not exceed three"

Page 1, line 10, remove "four"

Page 1, line 10, overstrike "hundred dollars."

Renumber accordingly



**2013 HOUSE POLITICAL SUBDIVISIONS**

**SB 2177**

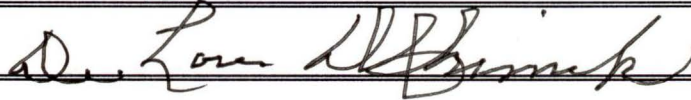
# 2013 HOUSE STANDING COMMITTEE MINUTES

## House Political Subdivisions Committee Prairie Room, State Capitol

SB 2177  
March 7, 2013  
Job #19586

Conference

Committee Clerk Signature



### Explanation or reason for introduction of bill/resolution:

Relating to rent allowed for gaming machines.

### Minutes:

Testimony #1, 2

Chairman N. Johnson: opened the hearing on SB 2177.

**Rudy Martinson, Executive Director, ND Restaurant, Lodging & Beverage Assoc.**  
(See testimony #1) 00:45 - 02:46 It focused in particular on pull tabs and it is a modest increase to \$125/month.

**Rep. Ben Hanson:** Was there any discussion about implementing something that would keep the rate going for inflation or cost of doing business?

**Rudy Martinson:** We did not have that discussion. If you look at the chapter that governs the various rents that are allowed for various games there is a complex formula for different rates for different games under different circumstances. We did not have a discussion about automatic inflators on any of that during our discussion on this particular bill.

**Rep. Koppelman:** The engrossed bill has one change from the original bill that is this far bar dispensing device, but not both were in the original bill and now it says or both? Can you explain that?

**Rudy Martinson:** When this bill was drafted there were two different rates; there was one rate for a dispensing device and there was a separate rate; which is about \$25/month higher for a jar bar and dispensing device. We just set those two rates at the same amount originally; \$400 either way. If that was going to be the case legislative council said these sentences are necessary since they create a distinction.

**Rep. Koppelman:** It is a steep jump. Did you have discussions about the amount?

**Rudy Martinson:** We did have those discussions. That is kind of a jump, but it has been 14 years so we arrived at an understanding that everybody could be comfortable with this.

**Rep. Hatlestad:** This \$400 rent is that for each the jar bar and pull tabs?

**Rudy Martinson:** If we are looking at something like a twenty one tables or black jack table that rent rate is set per table; in the case of pull tabs the rental rate is the same for one machine or one jar bar or ten machines or jar bars in one location. There was some discussion if this cap went up some of those bars would consider adding a second machine just then there would be more incentive to do that. Right now the rental rate for pull tabs is \$400 whether there are one or ten machines in that location.

**Michal Jay, Executive Director of Abate:** (See testimony #2) 08:20 - 09:04

Opposition: None

Neutral: None

Hearing closed.

**Do Pass Motion Made by Rep. A. Maragos; Seconded by Rep. Beadle:**

**Rep. Beadle:** Why do we even cap rents that other groups charge? Where did that all come from?

**Keith Louer, Director of the Gaming Division for the Attorney General's office:** In 1981 we first authorized 21 as a game type in our state and the 1<sup>st</sup> Legislative Session in 1983 they first implemented limits on rent and it was to prevent organizations that had the most amount of money from getting all the good sites.

**Vote:            14 Yes        0 No    1 Absent        Carrier: Rep. A. Maragos**

Closed.

**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/15/2013**

Amendment to: SB 2177

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N/A

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

N/A

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

N/A



**Name:** Kathy Roll

**Agency:** Office of Attorney General

**Telephone:** 701-328-3622

**Date Prepared:** 01/21/2013

**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/15/2013**

Bill/Resolution No.: SB 2177

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties	\$0	\$0	\$0
Cities	\$0	\$0	\$0
School Districts	\$0	\$0	\$0
Townships	\$0	\$0	\$0

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This bill increases the rent which can be paid from the 60% expense allowance for gaming organizations which has no fiscal impact on the state or political subdivisions.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 provides for 2 rent amounts to increase within the 60% expense allowance currently provided.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

N/A

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

N/A

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

N/A

**Name:** Kathy Roll  
**Agency:** Office of Attorney General  
**Telephone:** 701-328-3622  
**Date Prepared:** 01/21/2013

Date: 3-2-13  
Roll Call Vote #: 1

2013 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 2177

House Political Subdivisions Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken:  Do Pass  Do Not Pass  Amended  Adopt Amendment  
 Rerefer to Appropriations  Reconsider

Motion Made By Rep. Maragos Seconded By Rep. Beadle

Representatives	Yes	No	Representatives	Yes	No
Chairman Nancy Johnson	✓		Rep. Ben Hanson	✓	
Vice Chairman Patrick Hatlestad	✓		Rep. Kathy Hogan	✓	
Rep. Thomas Beadle	✓		Rep. Jerry Kelsh	✓	
Rep. Matthew Klein	✓		Rep. Naomi Muscha	✓	
Rep. Lawrence Klemin	✓				
Rep Kim Koppelman	✓				
Rep. William Kretschmar	✓				
Rep. Alex Looyen	✓				
Rep. Andrew Maragos	✓				
Rep. Lisa Meier	—				
Rep. Nathan Toman	✓				

Total (Yes) 14 No 0

Absent 1

Floor Assignment Rep. Maragos

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

**REPORT OF STANDING COMMITTEE**

**SB 2177, as engrossed: Political Subdivisions Committee (Rep. N. Johnson, Chairman) recommends DO PASS (14 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING).** Engrossed SB 2177 was placed on the Fourteenth order on the calendar.

**2013 TESTIMONY**

**SB 2177**

Chairman Andrist and Members of the Political Subdivisions Committee:

I ask for your favorable consideration to SB 2177. This bill increases the allowable rent for pull tab machines or jars from \$275 dollars to \$400. The language limits this increase only to places of business that do not also have 21 games or paddlewheels.

The reasoning for the limitation and the request for the increase is in bars, for example, that do not have the more labor intensive games such as Blackjack, the responsibility of managing the gaming falls on the bar employees. This can be quite a tedious and time consuming task for the bar. The bar owner also assumes the risk if the books should not equal at the end of the day.

In 21 and paddlewheel games, the charitable organization has paid employees that manage the games and assume the risk.

Thank you for your consideration,

A handwritten signature in black ink, appearing to read "Joe Miller", with a large, stylized flourish at the end.

Senator Joe Miller

District 10



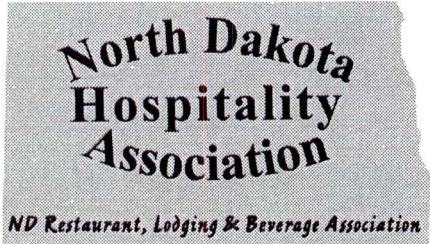
PROPOSED AMENDMENTS TO SENATE BILL NO. 2177

Page 1, line 7, overstrike "but not" and insert immediately thereafter "or"

Page 1, line 8, overstrike "If pull tabs is conducted"

Page 1, overstrike lines 9 and 10

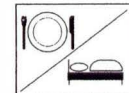
Renumber accordingly



# ND's Restaurant, Lodging & Beverage Association



P.O. Box 428 • Bismarck, ND 58502 • Phone: 701-223-3313 • Fax: 701-223-0215  
 E-mail: NDhospitalityassn@gmail.com • www.ndhospitality.com



**SB 2177**

Testimony of Rudie Martinson  
 Executive Director, ND Hospitality Association  
 Before the Senate Political Subdivisions Committee  
 January 24, 2013

Chairman Andrist and members of the committee,

Good Morning. My name is Rudie Martinson and I am the Executive Director of the ND Hospitality Association. We are the trade association for the restaurant, lodging, and retail beverage industries.

I rise today in support of SB 2177. As you may know, the amount of rent we are allowed to charge to a charitable gaming organization for the use of our facilities is capped by statute. SB 2177 seeks to raise that cap on the game of pull tabs.

By way of background, this limit was last raised in 2001. During that time, the costs to the bar owner that rent was intended to cover have continued to rise. Utilities, janitorial services, the cost of labor, etc. have all gone up in the twelve years since this cap has last been raised.

You'll notice that we looked specifically at pulltab sites for a rent increase in this bill. In pulltab sites, especially pulltab sites where a dispensing machine is the only game present, much of the actual work of operating that game falls on the staff of the bar. Our employees are responsible for handling the gaming bank, paying out winners, and covering any shortfalls in the gaming bank that may occur. This is in addition to our employees (or contracted janitorial services) having to clean up and mess created by the presence of pulltabs.

Mr. Chairman and members of the committee, we believe that the modest increase we're asking for in SB 2177 is a fair request after going 12 years without an increase in gaming rent. We ask for your favorable consideration of SB 2177.

Thank you.

Political Subdivisions Committee  
Senate Bill No. 2177  
History of Rent Limitations  
January 24, 2013

1983

An organization's monthly rent expense for a site was limited to \$150 per month for each twenty-one table necessary at that site. There was no limit for additional rent that could be paid for the privilege of conducting pull tabs at the site.

1987

Rent limits were established for pull tab sites. The limit was \$150 per month if twenty-one was not conducted. For sites where twenty-one was conducted, the limit was \$50 per month for pull tabs plus the previous allowance for twenty-one tables of \$150 per month.

1991

The maximum monthly rent per twenty-one table was raised to \$200 per table. Paddlewheels were also legalized with a maximum rent per table the same as twenty-one. In addition, the maximum rent for pull tabs was raised to \$125 if twenty-one is conducted and \$225 if twenty-one is not conducted at the site.

1995

The law was clarified to state that if bingo is the primary game that the monthly rent must be reasonable. Furthermore, if bingo is not the primary game, but is conducted in conjunction with twenty-one, paddlewheels, or pull tabs, no additional rent is allowed. Also if bingo is conducted involving only a bingo card dispensing device and no other game is conducted, the monthly rent is \$225.

1999

The State Gaming Commission was allowed to set criteria by rule for the necessary number of twenty-one tables in which rent could be paid. If pull tabs are conducted at a site with twenty-one or paddlewheels the rent was increased to \$175 if pull tabs are conducted involving a jar bar or dispensing device, but not both, and \$200 if pull tabs are conducted involving both a jar bar and dispensing device.

**If twenty-one and paddlewheels are not conducted but pull tabs is conducted involving a jar bar or dispensing device, but not both, the monthly rent was increased to \$275. If pull tabs is conducted involving both a jar bar and dispensing device, the monthly rent for pull tabs was increased to \$300.**

2001

The maximum monthly rent per twenty-one table was increase by an additional \$100 (\$300 total) if wagers of greater than \$5 are allowed on the twenty-one table.

## Testimony on SB 2177

Political Subdivisions Committee

Ken Karls

Cystic Fibrosis Association of North Dakota

January 24, 2013

Mr. Chairman and members of the Committee, my name is Ken Karls and I represent the Cystic Fibrosis Association of North Dakota. We have several charitable gaming locations in the Bismarck/Mandan area. I am here in a neutral position today to provide information to the committee as to how this bill might impact one of our small sites. I don't think it is unreasonable to extrapolate that there are many small locations throughout the state that may find themselves with figures that resemble those I am presenting today.

CFA certainly wishes to continue the successful working relationship we presently maintain with our landlords and we believe this information will help to ensure an openness that we believe is necessary for that to occur.

I have attached a spreadsheet for a site in which we presently conduct gaming activity by means of a pull-tab dispensing device. The spreadsheet also contains figures as to how SB 2177 might have impacted that location's gaming had it been in effect during the period listed.

I will be happy to answer questions the committee may have. Thank you.

**CYSTIC FIBROSIS ASSOCIATION OF NORTH DAKOTA**

Typical Small Gaming Location

**Actual Figures**

Quarter	Gross	Adjusted Gross	Expenses	Tax	Net
9/30/2011	\$11,362.00	\$2,282.00	\$1,234.00	\$170.43	\$877.57
12/31/2011	\$10,462.00	\$2,352.00	\$929.00	\$156.93	\$1,266.07
3/31/2012	\$10,258.00	\$2,298.00	\$1,157.00	\$205.16	\$935.84
6/30/2012	\$18,075.00	\$4,165.00	\$937.00	\$361.50	\$2,866.50
<b>TOTAL</b>	<b>\$50,157.00</b>	<b>\$11,097.00</b>	<b>\$4,257.00</b>	<b>\$752.36</b>	<b>\$6,087.65</b>

**SB 2177**

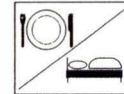
Quarter	Gross	Adjusted Gross	Expenses	Tax	Net
9/30/2011	\$11,362.00	\$2,282.00	\$1,834.00	\$170.43	\$277.57
12/31/2011	\$10,462.00	\$2,352.00	\$1,529.00	\$156.93	\$666.07
3/31/2012	\$10,258.00	\$2,298.00	\$1,757.00	\$205.16	\$335.84
6/30/2012	\$18,075.00	\$4,165.00	\$1,537.00	\$361.50	\$2,266.50
	<b>\$50,157.00</b>	<b>\$11,097.00</b>	<b>\$6,657.00</b>	<b>\$894.02</b>	<b>\$3,545.98</b>

# North Dakota Hospitality Association

ND Restaurant, Lodging & Beverage Association

## ND's Restaurant, Lodging & Beverage Association

P.O. Box 428 • Bismarck, ND 58502 • Phone: 701-223-3313 • Fax: 701-223-0215  
E-mail: NDhospitalityassn@gmail.com • www.ndhospitality.com



SB 2177

Testimony of Rudie Martinson  
Executive Director, ND Hospitality Association  
Before the House Political Subdivisions Committee  
March 7, 2013

Chairman Johnson and members of the committee,

Good afternoon. My name is Rudie Martinson and I am the Executive Director of the ND Hospitality Association. We are the trade association for the restaurant, lodging, and retail beverage industries.

I rise today in support of SB 2177. As you may know, the amount of rent we are allowed to charge to a charitable gaming organization for the use of our facilities is capped by statute. SB 2177 seeks to raise that cap on the game of pull tabs.

By way of background, this rent limit on pulltabs was last raised in 1999. During that time, the costs to the bar owner that rent was intended to cover have continued to rise. Utilities, janitorial services, the cost of labor, etc. have all gone up in the fourteen years since this cap has last been raised.

You'll notice that we looked specifically at pulltab sites for a rent increase in this bill. In pulltab sites, especially pulltab sites where a dispensing machine is the only game present, much of the actual work of operating that game falls on the staff of the bar. Our employees are responsible for handling the gaming bank, paying out winners, and covering any shortfalls in the gaming bank that may occur. This is in addition to our employees (or contracted janitorial services) having to clean up any mess created by the presence of pulltabs.

Mr. Chairman and members of the committee, we believe that the modest increase we're asking for in SB 2177 is a fair request after going 14 years without an increase in gaming rent. We ask for your favorable consideration of SB 2177.

Thank you.

#2

**ND AMERICAN BIKERS AIMING TOWARD EDUCATION (ABATE OF ND)  
TESTIMONY ON SB 2177  
MARCH 7, 2013 AT 2:45 P.M.  
HOUSE POLITICAL SUBDIVISION COMMITTEE  
PRAIRIE ROOM  
REPRESENTATIVE NANCY JOHNSON**

**MICHAEL JAY—EXECUTIVE DIRECTOR, ABATE OF NORTH DAKOTA, WHOSE  
ACRONYM STANDS FOR AMERICAN BIKERS AIMING TOWARD EDUCATION**

Mr. Chairman, and members of the committee, I'm Michael Jay, Executive Director of ABATE of North Dakota and I am here today in support of SB 2177.

SB 2177 is a good Bill for the landlords of gaming rental sites. Through the past two sessions, the Charitable Gaming Industry has received several considerations of tax reduction for our organizations.

I believe the rent increase proposed on this Bill is a good start for providing some consideration for the landlord, as was done for the charitable organizations.

Thank you for your time and attention this afternoon. I will be happy to respond to any questions.