

2009 HOUSE GOVERNMENT AND VETERANS AFFAIRS

HB 1367

## 2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1367

House Government and Veterans Affairs Committee

☐ Check here for Conference Committee

Hearing Date: 2/6/2009

Recorder Job Number: 8938

Committee Clerk Signature

*Melissa M. Erhardt*

Minutes:

**Chairman Grande:** Open the hearing on HB 1367. Clerk read the title.

**Keith Lauer, Director of the Gaming Division, Attorney General's Office:**

Our office is neutral on this position because we feel it is a Legislative matter whether or not you want to increase the prize level on local permits. I drafted the bill and found a legislator who would introduce it on behalf of about a dozen organizations. The only changes in this are lines 17 and 18 on the first page of the bill. What we are doing is allowing the primary prize under a local permit, for a charity local permit, to increase to \$6,000 or one-half of the total prizes on the local permits. The current level is \$2,500. As I mentioned there is a slight error on the fiscal note. On Line 2A of that it says raffle prize limits are unchanged. That is not true, what this bill is actually doing is changing the raffle limits. It should say its raffle cash prizes are unchanged. The only exception is the raffle cash prize, and no more than \$4000 can be issued on a single day. If a cash prize were raffled for \$4000 in all aggregate amounts of cash under a local

permit. Annually, we get about 2,000 small non-profit organizations or groups of people that are recognized by cities and counties as being public spirited and it is under the discretion of the city and county if they want to grant these local permits. The majority of these groups are local fire departments, citizen centers, church groups, senior citizen centers, PTO's, booster clubs and small citizen service clubs. This language was drafted based on number of complaints that we received from those small organizations. Local permits are limited to raffles, bingos, and sports pools. While charity local permits allow three additional game types: paddle wheels, 21, and poker. But you are restricted to one event per year under a charitable local permit. The city cannot charge the local permit holders more than a \$25 fee for a permit. State licenses, the other way that you can do charitable gaming in the State, there are about 350 organizations that run gaming under the State licenses. Those are the ones you will probably see when you go into a bar where pull tabs are being sold. Pull tabs cannot be done under a local permit. These organizations with State licenses pay \$150 license fee for each jurisdiction. The city can charge them a fee, not to exceed, \$100 for site authorization and they have to file quarterly tax returns. The \$7,000 impact that you are talking would be these organizations. For one, it just raised their primary prize, which is most likely under a raffle, so that there not tied to the same standards as a licensed organization. We run into a number of small

organizations that want to offer a primary prize in excess of that \$2,500 so that can offer things like four-wheelers, golf carts, mopeds, scooters, vacation packages, and those type of things. These organizations are either forced to not do their raffle, lower their primary prize down to \$2,500 or pursue it through a State Gaming License which takes hundreds of dollars from their intended purpose. We don't foresee any problems with increasing the primary prize to half of the total prizes allowed under local permits to \$6,000. The last time this was addressed by the Legislature was in 2003 and it was an increase from \$6,000 prize level to \$12,000 prize level and the primary prize level increased from \$1,000 to \$2,500. I will answer any questions from the committee?

**Chairman Grande:** Questions from the Committee? Seeing non, continue.

**Rep. Dwight Wrangham: District 8:** Signed on to this bill because it is something we can do to help the smaller charitable organizations in our communities. I think probably these are the organizations that this bill was designed for to help. Mr. Lauer did an excellent job in explaining what it does. Just want to point out that this does not raise the annual amount of prizes these organizations can raffle, it's still \$12,000, but if they do two \$6,000 raffles in year they are done. Don't think the most skeptic can call this an expansion of gaming. There are some folks here who have experienced this difficulty in making this decision. Any questions for me?

**Chairman Grande:** Any questions for Rep. Wrangham?

**Renee Tibor: St Anne's School PTO:** Our function is to help support St.

Anne's School and we do that by doing fundraisers. This last year what we tried to do was narrow down fundraisers to fit the busy schedules of the parents.

Because not every month, did we want the kids to be selling something door to door. So we decided to do one major fund raiser in the Spring and sell raffle tickets in the Fall. It sounded like a good deal for us, but it ended up being a lot of work. What I can tell you is that we wanted to make the prizes worthwhile to sell the tickets. We only wanted to sell 1,000 tickets at \$25 apiece. Our top prize was a four-wheeler, our second prize was a big screen TV, our third prize was a \$500 Kirkwood Mall gift certificate. I volunteered to go and get all the licensing requirements, not realizing what we would have to go through. I did spend most the summer with trips back and forth to the Capital or phone calls to the various offices. We ended up spending \$150 for a site authorization fee. We had some confusion as this was our first time doing this, and in speaking with the different offices here, we felt we needed a trademark name, paid the \$25, found out we didn't and so then we had to pay a cancellation fee of \$10. We had the gaming license application fee, \$100, the non-profit registration fee was \$40, and then of course all the paperwork going out, and going to the police station and getting the background checks so that all the other members of the committee could sell

tickets. Our raffle was very successful, we sold most of our tickets, we had very little expenses, but had some dealing with the vendors who helped us with the prizes. After all the taxes and stuff we had a net profit of \$13,395 which we are very pleased with, but like I said it was a lot of work. But our point was to get a fundraiser that was going to work for our parents, for our students, and prizes that were worth it so the tickets would sell themselves. So that is why we are in favor of increasing the prize limit to \$6,000 and that will give a prize that people are willing to pay \$25 a ticket for.

**Chairman Grande:** Any questions? Anyone else wishing to speak in favor?

Anyone else wishing to speak in favor? Opposition to HB 1367?

**Warren DeCrey: Chairman of the ND Council Gambling Problems:** I am not sure that I stand in opposition but would like to just give a bit of information that has been happening in the charitable gambling industry. Do you remember that this started back in 1977, just over thirty years ago, and there were four (coughing) at that time. We have added another six games and also we have added the lottery, which also has four games. During this time the charities amount has increased from 33% to 53%, and the ante has gone up on many of these things. I guess all I really wanted to tell you is that we keep adding more and more games and more and more dollars and so on and so forth. That is kind

of the history we have had with gambling and we will be facing over time. We generally see a lot of these things ratcheting up. Any questions?

**Chairman Grande:** Any questions? We have a question for Mr. Lauer?

**Vice Chairman Randy Boehning:** The biggest prize would be \$6,000? But there is no limit on the amount of tickets sold?

**Keith Lauer:** That is true. The prizes are what you sold to get the permit. Any time you have prizes that exceed \$12,000 or any of the game types exceed \$12,000 you have to get a State license. But it does not restrict how many tickets you can sell. It is wide open as far as that goes because it is all controlled by the amount of prizes.

**Chairman Grande:** Anyone neutral to this bill? Hearing closed on HB 1367.

# 2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1367

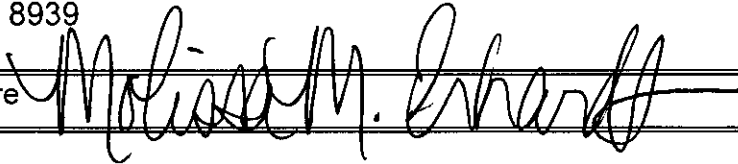
House Government and Veterans Affairs Committee

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Hearing Date: 2/6/2009

Recorder Job Number: 8939

Committee Clerk Signature



Minutes:

## COMMITTEE WORK ONE:

**CHAIRMAN GRANDE:** Called committee to order. Discussion on HB 1367. What are the committee's wishes?

**Rep. Dahl:** Do pass motion.

**Rep. Wolf:** 2<sup>nd</sup> motion.

**Chairman Grande:** Any comments, discussion, call the roll. Roll is called with a Do Pass action taken. Total: Yes: 12. No: 1. Absent: 0. Carrier: Rep. Nathe.



**FISCAL NOTE**  
**Requested by Legislative Council**  
02/04/2009

Bill/Resolution No.: HB 1367

**1A. 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.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>			(\$7,080)		(\$7,080)	
<b>Expenditures</b>						
<b>Appropriations</b>						

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

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

**2A. 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 total primary prize from \$2,500 to \$6,000 for public-spirited organizations with local gaming permits. Raffle prize limits are unchanged.

**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.*

This bill would have impacted 12 organizations this year, which increases the primary prize under local permits/charity local permits from \$2,500 to \$6,000 or one-half the total prizes of \$12,000 allowed each year. If the total prizes exceed \$12,000 in a year the organization must obtain a state gaming license.

**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.*

Gaming and bingo excise taxes paid this year by the 12 affected organizations = \$1,740

State gaming license fees collected this year  $\$150 \times 12 = \$1,800$

Estimated total loss of general fund revenue for the biennium - \$3,540 per year, or \$7,080 for the biennium.

**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

<b>Name:</b>	Kathy Roll	<b>Agency:</b>	Office of Attorney General
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Phone Number: 328-3622

Date Prepared: 02/04/2009

Date: 2/6/4  
Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1367

House **Government and Veterans Affairs**

Committee

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

Action Taken Do Pass

Motion Made By Rep. Dahl

Seconded By Rep. Wolf

Representatives	Yes	No	Representatives	Yes	No
Chairman Grande	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Rep. Amerman	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Vice Chairman Boehning	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Rep. Conklin	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Rep. Dahl	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Rep. Schneider	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Rep. Froseth	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Rep. Winrich	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Rep. Karls	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Rep. Wolf	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Rep. Kasper	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
Rep. Meier	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
Rep. Nathe	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			

Total (Yes) 12 No 1

Absent 0

Floor Assignment Rep. Nathe

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

**REPORT OF STANDING COMMITTEE**

**HB 1367: Government and Veterans Affairs Committee (Rep. Grande, Chairman)**  
recommends **DO PASS** (12 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). HB 1367  
was placed on the Eleventh order on the calendar.

2009 SENATE GOVERNMENT AND VETERANS AFFAIRS

HB 1367

## 2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No.1367

Senate Government and Veterans Affairs Committee

☐ Check here for Conference Committee

Hearing Date: 03/05/09

Recorder Job Number: 10272

Committee Clerk Signature

*Kate Oliver*

Minutes:

Chairman Dever opened the public hearing on HB1367. Keith Lauer was there to introduce the bill.

**Keith Lauer:** Director of the Gaming Division of the Attorney General's Office. See attached testimony #1.

**Senator Nelson:** What is the rationale behind the fiscal note?

**Keith Lauer:** The organizations that have state licenses and have prizes that don't exceed \$12,000. Half of them conducted game types that were not allowed under a local permit, like pull tabs. So they had to get a state license the other 12 organizations only did raffles and bingo. They could have gone local because their prizes were under \$12,000

**Senator Nelson:** Did you ask them why they did it?

**Keith Lauer:** Someone from St. Anne's PTO was scheduled to be here, but she is home with a sick child. I have information on their event, they held a raffle and they offered a 4-wheeler for \$5,700, a big screen television for \$1,400, and a mall gift certificate for \$500. Their 3 prizes did not exceed \$12,000 but because the primary prize was over \$2,500 they had to pay \$100 for a sight authorization, come to us, pay \$150 to get the state license, and then pay taxes on the amount that they earned off it.

**Senator Oehlke:** Our Rotary Club raffles a Harley Davidson motorcycle that is worth \$11,500 for over 10 years, and they have had to pay all the fees and do the paperwork. Does this mean that they will not have to do this anymore?

**Keith Lauer:** No, this only raises the primary prize. Just to allow some of these groups a little larger prize, \$2,500 is not all that much.

**Senator Dever:** Dealers offer those types of things for special charities at their cost.

**Senator Cook:** You mentioned sight location, was that important to them?

**Keith Lauer:** If this is passed they would be able to run it with a local permit in place of a sight authorization.

**Senator Horne:** What is the difference between the local and the sight permit?

**Keith Lauer:** It could be a group that has extended gaming. As soon as they hit the \$12,000 in prizes

**Senator Horne:** If this passes could they get a temporary permit and conduct a raffle.

**Keith Lauer:** Local permits are granted at the discretion of the city or county. You don't have to be a nonprofit to get a local permit. Groups come in and the city can see them as a local spirit organization. There are 2 types of local permits: a standard permit which only allows raffles, bingo, and sports pools as game types that you can play under a local permit; several years ago the legislature looked at this and groups came in and expressed a desire to conduct additional game types, paddlewheels, twenty-one, and poker. The legislature agreed and said that they would expand the local permit to what we call a charity local permit, but if, in fact you get those additional game types as part of your activity you are limited to one event per calendar or fiscal year. So if a small Veteran's group in a community and they wanted to do a Texas Hold 'Em tournament, if they do it under a charity local permit they get one a year. But,

if they get a regular local permit, it can be an ongoing process, provided their prizes don't exceed \$12,000 a year.

**Senator Horne:** The jest of this is that the top level is raised from \$2,500 to \$6,000 correct?

**Keith Lauer:** Correct, except for a cash prize.

**Senator Oehlke:** I thought we had a bill that did something with that \$12,000 limit and increased it to \$25,000 for that once a year event. What bill was that and does that conflict with this at all?

**Keith Lauer:** The only other one that I am aware of is SB2215, which exempts local permit holds from the bingo excise tax? There is 1194 that allows out of state gaming get a license and then it was dealing with unlimited prizes under a local permit if they receive a governors proclamation.

Chairman Dever closed the public hearing on HB1367.

A motion was made for a do pass by Senator Cook with a second by Senator Oehlke. Roll was taken and the motion passed 5-0 with Senator Oehlke carrying the bill to the floor.



Date: 3-5-  
Roll Call Vote #: 1

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1367

Sen  
Schle

Senate Government and Veteran's Affairs

## Committee

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Legislative Council Amendment Number

### Action Taken

**Motion Made By**

**Seconded By**

[illegible]

Total	Yes
100	100

No

**Absent**

### Floor Assignment

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

**REPORT OF STANDING COMMITTEE (410)**  
March 5, 2009 1:10 p.m.

**Module No: SR-40-4120**  
**Carrier: Oehlke**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**HB 1367: Government and Veterans Affairs Committee (Sen. Dever, Chairman)**  
recommends **DO PASS** (5 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1367  
was placed on the Fourteenth order on the calendar.

2009 TESTIMONY

HB 1367

## TESTIMONY ON HOUSE BILL NO. 1367

By Keith Lauer, Gaming Division, Office of Attorney General

Senate Government and Veterans Affairs Committee

March 5, 2009

My name is Keith Lauer. I am Director of the Gaming Division of the Attorney General's Office. I will describe the provisions of this bill although the Attorney General's Office takes a neutral position on this bill believing that it is a legislative decision.

This bill amends subdivision a of subsection 1 of section 53-06.1-03 (Permits, site authorization, and licenses) to allow the primary prize under a local permit or charity local permit not to exceed \$6,000 or one-half of the total prizes (\$12,000 per year) allowed under permits granted by local cities and counties.

The only exception would be that a raffle cash prize could not exceed the limits set by section 53-06.1-10.1 (Raffles) which states that "no single cash prize may exceed \$4,000 and the total cash prizes in one day may not exceed \$4,000".

Annually about 2,000 small nonprofit organizations or groups of people are recognized by cities or counties as "public-spirited organizations" for purposes of obtaining a local permit or charity local permit. The majority of these groups are volunteer fire departments, senior citizen centers, church groups, school PTO's and booster clubs, and small civic and service organizations. This language was drafted based on a number of complaints received from these small organizations.

Local permits holders are restricted to raffles, bingo, and sports pools while charity local permit holders are allowed to conduct raffles, bingo, sports pools, paddlewheels, twenty-one, and poker but are restricted to one event per year.

Permit holders pay a fee not to exceed \$25 to the local city or county where the event is being held. These organizations are not required to obtain a \$150 state gaming license, obtain a site authorization from a city or county with a fee not to exceed \$100, or file quarterly gaming tax returns.

Our office has encountered a small number of organizations that desire to conduct raffles under local permits but find the \$2,500 primary prize limit creates a problem when the organization attempts to offer prizes such as 4-wheelers, golf carts, mopeds and scooters, and vacation packages.

Organizations are either forced to abandon their raffle entirely, lower the primary prize to the \$2,500 limit, or pursue a state gaming license that takes hundreds of dollars from their organizations intended purpose. Our office does not foresee a problem with increasing the primary prize to a more reasonable level provided that the total prizes don't exceed the \$12,000 total prize amount.

The total prize amount under local permits/charity local permits was last increased during the 2003 Legislative session when the total prizes were increased from \$6,000 to \$12,000 and the primary prize was increased from \$1,000 to \$2,500.

I would be happy to answer any questions.