

Mr Chairman and Members of the Committee,

My name is Missy Tesky and I am the Licensing Administrator with the Attorney General's office. I'm here today to discuss charitable gaming organizations which are licensed by the Attorney General's office.

The North Dakota games of chance law defines an eligible organization for the purposes of receiving a state gaming license as a veterans, charitable, educational, religious, fraternal, civic and service, public safety, or public spirited organization. In order to be eligible for a state gaming license, an organization must be incorporated as a nonprofit organization and must have been regularly and actively fulfilling its primary purpose within the state for the two years immediately preceding its application for a license. The law excludes an educational organization from the requirement to be in existence for two years or be incorporated to receive a state gaming license. An organization must be domiciled in North Dakota or be authorized by the secretary of state as a foreign corporation authorized under chapter 10-33 of the century code. A foreign corporation authorized under chapter 10-33 is not an eligible organization unless it is authorized to conduct a raffle under chapters 20.1-04 and 20.1-08 of the century code and these organizations may not conduct a game other than a raffle. An organization's primary purpose may not involve the conduct of games.

When determining if an organization is eligible to receive a state gaming license, our office will verify that the organization is properly registered with the North Dakota Secretary of State's office as a nonprofit organization, review the organization's bylaws and articles of incorporation to determine its primary purpose, and review the minutes of meetings for the past two years to determine that the organization has been regularly and actively fulfilling its primary purpose. If further documentation is needed to determine eligibility for licensure, financial statements and other documents the organization considers pertinent may be reviewed to assist in the determination.

There are currently 285 licensed charitable gaming organizations. The breakdown by type of eligible organization is as follows: There are 17 licensed charitable organizations, 29 civic and service organizations, 5 educational organizations, 25 fraternal organizations, 44 public safety organizations, 113 public spirited organizations, 2 religious organizations and 50 veterans organizations.

Although each organization, with the exception of an educational organization, must be properly registered with the Secretary of State's office as a nonprofit organization to be eligible for a state gaming license, only fraternal and veterans organizations are also required to be recognized by the Internal Revenue Service as an organization exempt from federal income tax under sections 501 (c) 8, 10 or 19 of the Internal Revenue Code.

The games of chance administrative rules define the types of organizations that are ineligible to receive a state gaming license. A county, city, state, political subdivision or federal entity is not eligible for a gaming license. In addition, nonprofit social, hobby, trade, business, professional, or similar clubs or associations, or those organizations whose primary purpose mainly provides a direct benefit to its officers is not considered a public spirited organization eligible for a gaming license.

Since 2005, there have been a total of 10 gaming license applications received in the Attorney General's office from organizations which, at the time of application, did not meet the requirements to receive a state gaming license. 4 organizations were considered nonprofit social, hobby, trade, business, or professional clubs or associations. 3 organizations had not been fulfilling their primary purpose for the two years immediately preceding their application, 1 organization was not domiciled in North Dakota, 1 organization's primary purpose included the conduct of games and 1 organization's primary purpose mainly provided a direct benefit to its officers.

Lastly I would like to provide you information regarding the top ten areas where licensed gaming organizations spent their net proceeds for eligible or charitable uses in the state of North Dakota for the fiscal year ending June 30, 2010. There are currently 72 eligible use codes where organizations can spend their proceeds from gaming for charitable uses. The top ten areas include money spent for youth activities, the disabled, the arts, alcohol and drug abuse, educational public services, scholarships, extraordinary medical expenses, tourism, parks and recreation and educational institutions and activities.

Mr. Chairman and members of the committee, I would like to thank you for your time and would be happy to answer any questions you might have.