

SB 2309
Senate Finance & Taxation Committee
Submitted by Don Santer, CGAND
February 1st, 2021

Chairperson Bell and Committee members, thank you for the opportunity to provide information regarding the charitable gaming industry of North Dakota. I am here in opposition of Senate Bill 2309.

My name is Don Santer, I represent the Charitable Gaming Association of North Dakota (CGAND), a trade association for charities operating gaming throughout ND. I also represent the North Dakota Association for the Disabled (NDAD). NDAD is a North Dakota charity that for over 45 years has been dedicated to improving the quality of life for persons with disabilities. NDAD pays for most of its services with charitable gaming funds. For your reference, I have attached a copy of our annual report to help demonstrate how those funds are utilized.

Senate Bill 2309 is a copy of House Bill 1212, which we support and has the support of the Attorney General's office. Both bills address a new charitable gaming operating fund, a tax on Adjusted Gross proceeds, funding for cities and counties, and funding for gambling disorder prevention.

However, Senate Bill 2309 adds restrictions and changes meant to harm charitable gaming and is counterproductive. This bill will create a complicated tiered tax system the industry moved away from many years ago. A tiered tax system is designed to punish charities for doing well.

This bill also introduces unnecessary restrictions on the number of electronic pull tab machines (etabs) per site and on percent of hold for games played on etabs. There is already a limitation of ten machines set in regulation. This limit was put in place before etabs were authorized to be installed and has not changed.

This bill sets a maximum payout percentage of 88% for etabs only. There is already a 90% payout percentage set in regulation. A reduction to 88% is specifically intended to harm etab business for the charities.

- There is no need to mandate payout percentages because free market/competition is already providing these choices for gaming organizations.
 - 5 out of 6 manufacturers already offer options between 85% and 90% payout
 - According to one North Dakota distributor, there seems to be no demand for the 85% payout offered. I was told a few organizations tried it for one quarter and immediately went back to a mix of 88 and 90% because it seemed to be the breaking point for success with their etabs.
- The ability to adjust for each individual market
 - There are vast differences in player demographics in North Dakota between West, Central, or Eastern sides of the state, and rural locations compared to large cities. Each charity should evaluate what works well for their clientele and adjust. This is very similar to how paper pull tabs are evaluated. It is also important to note, paper pull tabs have no rules setting maximum or minimum

payout percentage. This allows each charity to select a range of games and pay out percentages that work best for their organization and the attractiveness to their players.

- Charities can increase demand through variety and competition.
 - Think of Coke and Pepsi or Nestle and Hershey. They make very similar products to each other but constantly change the look, add new products, or modify the price points of their line of products to gain and maintain consumer demand. Payout percentage is a way gaming charities can make adjustments to do the same.
 - It should be noted that North Dakota tribal gaming compact allows tribal games to pay out as high as 100%.
- Eliminates a charities' bargaining power with gaming providers
 - An unintended consequence of a lower payout percentage is a reduction in competition and innovation leading to a single manufacturer controlling all the business.
 - When etabs were first introduced to North Dakota there were limited options for payout percentage; they were all set to the state regulated maximum of 90%. The charities started demanding other options and got some distributors to offer different payout percentage games. Competition for market share between the distributors quickly came into play and now each quarter the charities are getting more and more options for games and payout models as the distributors compete for their business.
 - A higher payout percentage counterintuitively yields higher overall net revenue. (see attached Dimond Game study)

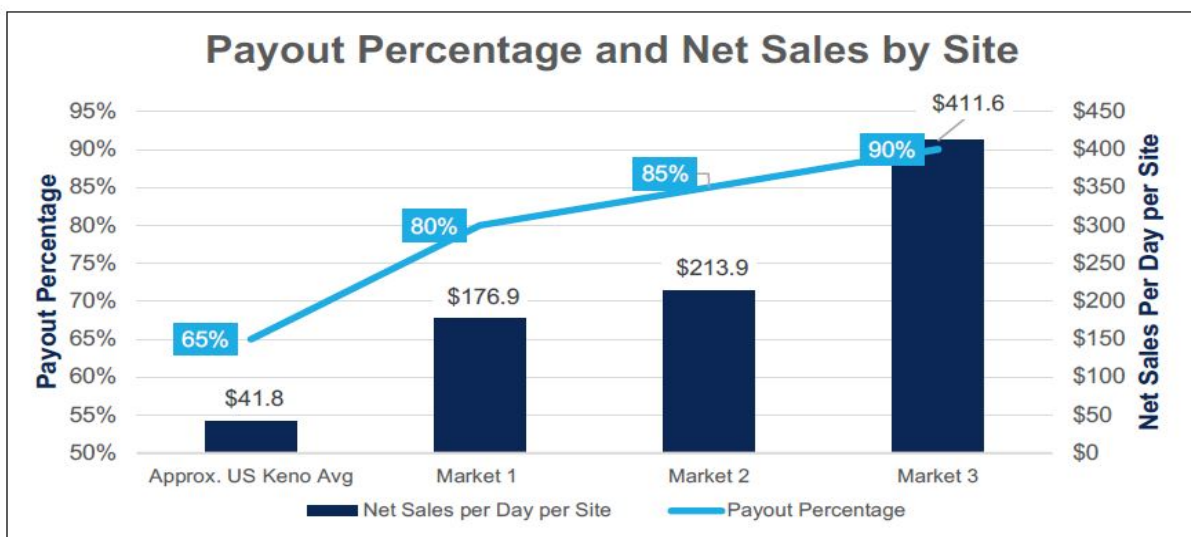
For the past 40 years North Dakota has developed a responsible and highly regulated system for charitable gaming to benefit charitable missions that serve your local communities. We ask you to consider a **Do Not Pass** recommendation on SB 2309.

Thank you, Madam Chairperson and members of the committee, for your time and thoughtful consideration I am happy to answer any additional questions you may have.

Respectfully,
Don Santer, NDAD
CGAND Vice President

There is strong evidence that higher payout% games lead to higher net profits. A study conducted by Diamond Games (see figure 1), of their 10 charitable gaming and lottery markets, one market operates at a payout percentage of 80%, one at 85%, and the remaining eight operate at 90% or higher. The markets with payouts at or above 90% generate upwards of 200% higher net sales than sites utilizing the 80% product.

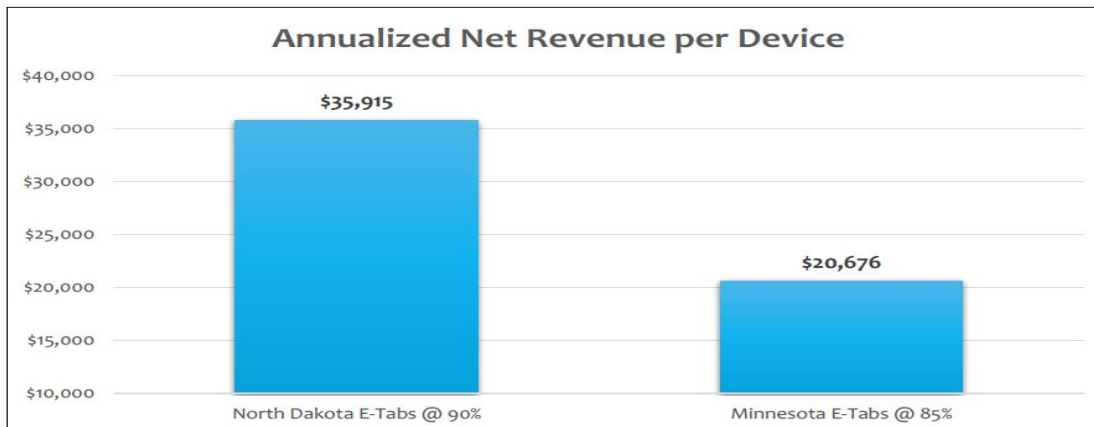
(Figure 1)



A lower percentage of payout, means fewer winning tickets, this decreases player interest, less interest - less play - lower income for the charity.

A good comparison can be seen by evaluating the Minnesota Charitable E-Tab market. Minnesota is currently regulated to payout 85% -- compared to North Dakota E-Tabs which allows for a payout up to 90%. The overall revenue per device for North Dakota E-Tabs is significantly higher than Minnesota E-Tabs. (see figure 2)

(Figure #2)



Note: annualized figures above utilize Q2 2019 reporting data provided by the state, extrapolated across a 365 day period.

2019 Annual Report

Our Purpose

NDAD (the North Dakota Association for the Disabled) is a nonprofit, charitable organization that assists people with disabilities in North Dakota. Our mission is to enhance the quality of lives of individuals facing health challenges.

Who We Help

Here are a few of the many people who shared their NDAD story with us:



Hudson, Minot

His condition:
Trachealstenosis/
Asthma (chronic
respiratory issues)

How NDAD helped:
Medication, medical
travel to Fargo for
specialist appointments



Casey, Bismarck

His condition:
Cerebral Palsy

How NDAD helped:
Accessible
transportation
for activities to support
his independence



Camille, Williston

Her condition:
Kidney transplant

How NDAD helped:
Medical travel assistance for
post-transplant checkups in
Bismarck.



Michael, Grand Forks

His condition:
Polyneuropathy and
impaired mobility

How NDAD helped:
Assistance for power
scooter



Mary, Dickinson

Her condition:
Dwarfism

How NDAD helped:
Purchased wheelchair and
provided repairs over the
years, helping Mary gain
independence



Bentley, Fargo

His condition:
Spastic quadriplegia,
static encephalopathy,
global
neurodevelopmental
delay, epilepsy

How NDAD helped:
Medication, medical
travel

Programs Provided

- Direct Financial Assistance
- Healthcare Equipment Loan Program
- Adaptive recreational events and activities
- Community fundraising projects
- Organ Transplant Fund
- Information, referral and advocacy
- Crisis residential programs
- Independent living services
- Housing for people with serious mental illness who are in need of supportive services

To read more about these programs, visit **ndad.org**.

2019 At a Glance

NDAD helped thousands of people help themselves in 2019:

- 1639 prescriptions filled
- 3502 accessible rides funded
- 4366 pieces of medical equipment loaned, saving North Dakotans over \$530,000
- 2801 medical trips funded
- 202 pieces of medical equipment and supplies purchased
- 51 people with a serious mental illness assisted with independent living skills and medication monitoring
- 165 wheelchair accessible van loans to 86 individuals
- 6 grants to organizations to assist individuals with disabilities
- 7048 hours of personal care received for people to remain in their homes
- 38 people were assisted with short term crisis stabilization
- 8 people with serious mental illnesses were provided supportive services to remain independent
- Over \$130,000 raised for 11 individuals through Community Fundraisers
- 36 individuals assisted with adaptive recreation
- 27,650 interactions, such as phone calls, walk-ins, emails, and other communication

How We Spend Our Money



- 89.0%: Program Services
\$2,020,306
- 9.4%: Management and General
\$213,113
- 1.7%: Fundraising
\$37,897