

## HB 1524

Chairman Headland and Committee members, my testimony is in response to House Bill 1524,

My name is Patrick McCollam, I am the President of a Licensed Distributor for charitable gaming supplies within the state of North Dakota. I appreciate the opportunity to provide information for the purpose of strengthening charities' ability to fundraise in North Dakota.

HB 1524 proposes a change to section 53-06.1-08.2 as follows.

The device may not employ a progressive jackpot feature. A deal may not pay out more than eighty - two percent of gross proceeds.

Setting a maximum payout percentage of 82% would make North Dakota an outlier, and not in a good way. As the majority of charitable gaming in ND is operated without a limit on prize payouts, and the few forms of gaming that do have a limit are set to 90%. This is for "prize pooling" games such as Poker, Calcutta, and Sports pools.

Lowering the prize payout percentage decreases the appeal of the game to the playing public. Obviously, a player would refuse to play a game with a zero % prize payout and just as obviously he would rush to any game offering over 100% prize payout. It is clear that as you decrease prize payout percentages the appeal of the game diminishes, which means the total amount of play diminishes, which means the total earnings of the charities also diminish.

Electronic Pull Tabs similar to those operated in ND, are also operated in MN, OH, KY, VA, and NH. And only MN has regulations on the payout percentage lower than the 90% under which the devices are operated in ND. As both ND and MN disclose the number of devices and the revenue gained it is clear to see that ND devices outperform MN devices by a factor of almost 2 to 1. Each device in ND garners approximately \$40,000 per annum while similar devices in MN only generate approximately \$21,000.

This begs the question "What percentage has been set in MN to cut charitable revenues in half?" and would you believe it that the maximum payout percentage allowed is 85%. Imagine how low their revenues would be in MN if they set the maximum payout at something as ridiculous as 82%.

It is my professional opinion that if HB 1524 passes, the electronic pull tab revenue in North Dakota will be reduced by approximately 75%. This translates to the elimination of approximately \$28M of the current \$37M the charities raise using these devices and will cost the state of North Dakota's general fund \$16M of the \$22M in taxes.

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The proposed amendment is nothing more than a very crude attempt to damage charities in ND by targeting a very successful form of fundraising. If there is a change to the maximum payout percentage, it should be increased, not decreased. A maximum payout percentage of 92% or removing a maximum payout percentage altogether would have a dramatic impact on charitable gaming revenues in a positive way.

If this bill passes it will do irreparable harm to the charitable gaming market and those beneficiaries of its fundraising efforts.

Say No to Hurting charities.

For the reasons listed above we are asking you to consider a Do Not Pass recommendation on HB 1524.

I appreciate your time and careful consideration of this bill.

Patrick McCollam