

Chairperson Larson and Committee members, thank you for the opportunity to provide information regarding the charitable gaming industry of North Dakota. I am submitting testimony in opposition of Senate Bill 2390.

My name is Becky Nelson and I am the Gaming Manager for Veterans Club, Inc. of Kenmare, ND

This requires the charity to donate **ALL** its eligible use funds for “children related activities”, regardless of each organization’s purpose. The bill states: “5% of their annual **Gross Proceeds** to children's activities”. That means before prizes are paid out. 5% of Adjusted Gross Proceeds is more realistic.

This bill limits etab payout to 88%. This is yet another attempt to reduce earnings.

It also changes the approved expense limit from 60% to **50%**. Meaning organizations would have to find funds not generated by gaming to cover expenses exceeding **50%**.

Senate Bill 2390 is intentionally designed to restrict, damage, and ultimately eliminate charitable gaming.

Gross proceeds - Required donations - Allowable expenses - Rent limits.

If the annual gross proceeds of a charitable organization exceed fifteen thousand dollars, the charitable organization shall donate five percent of its annual gross proceeds for the benefit of children up to the age of twelve. This addition to the century code is intended to eliminate individual charitable gaming organizations and create one conglomerate charity with a single population being served. It will in effect require every gaming charity to relinquish more income to special interest than it will be able to keep for its charitable purpose.

Considering the average charity holds about 11% of total gaming gross proceeds, almost half of that would be required to be spent on a special interest. • To keep it simple, assume gross proceeds are \$15,000.01; five percent of gross would be \$750, • A charity keeps on average \$1,650 after prizes (11%); this is adjusted gross (AG). • The state taxes 12% of AG equaling \$198 in tax; leaving \$1,452. • Considering the 50% expense limit in this bill, \$726 must be used for eligible use. • This charity would have to donate an additional \$24 more than they have for their intended eligible use, thus eliminating their intended purpose and forcing it to end its charitable gaming operation if it is not already a child-oriented organization.

Gross Proceeds (GP) \$15,000.01

5% of GP \$ 750.00 AGP

(Adjusted Gross Proceeds) after prizes AVG 11% of GP \$ 1,650.00

State tax (12% of AGP) \$ 198.00

AGP after tax \$ 1,452.00

Allowable expense 50% \$ 726.00

Eligible use 50% \$ 726.00

Required to donate 5% of GP \$ 750.00
Eligible use funds left for the charity \$ (24.00)

The addition of special consideration for a very small subsection of the population already served by countless charitable organizations is unnecessary and counterproductive to individual charitable missions. Charities are set up by citizens motivated to serve a particular civic need and they would no longer be able to serve their intended population.

Electronic pull tab device requirements. Each deal may not pay out more than eighty - eight percent of gross proceeds. There is no need to mandate payout percentages because free market competition is already providing these choices for gaming organizations. Restrictions on percent of hold are not in place for any other game type. The intent of this wording is intended to erode consumer interest. Statistically play falls off when you lower the percentage, and the charities have worked with state regulators to come up with the 90% max payout. This is a regulatory issue, not a century code issue. There are no current restrictions for lowering the payout percentage. Charities already have the option to run games at 88% if they choose.

Allowable expenses may be deducted from adjusted gross proceeds. By lowering allowable expenses to 50%, this will create financial difficulties for charities. Contrary to rumor, higher revenue does not automatically equate to lower expenses. Inflation and higher wages required to find and maintain employees already make it difficult for charities to cover expenses at sixty percent. Even if a charity can operate at lower expense percentages, they are still using the funds for their charitable purpose.

I respectfully request you vote DO NOT PASS on this bill. Thank you for your time and consideration.