

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1263

2007 HOUSE JUDICIARY

HB 1263

## 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1263

House Judiciary Committee

Check here for Conference Committee

Hearing Date: 1/29/07

Recorder Job Number: 2103, 2198

Committee Clerk Signature

*A. Penrose*

Minutes:

**Chairman DeKrey:** We will open the hearing on HB 1263.

**Rep. Randy Boehning:** I am a sponsor of this bill.

**Chairman DeKrey:** Thank you. Further testimony in support.

**Todd Kranda, Charitable Gaming Association of ND:** (see attached testimony).

**Chairman DeKrey:** Thank you. Further testimony in support.

**Rick Stenseth, Charitable Gaming Association of ND:** (see attached testimony).

**Rep. Klemin:** Right now you only do this once a year, that you can have a raffle for \$25,000.

**Rick Stenseth:** Merchandise prize. You can have more raffles than that. The bill as it reads now, doesn't keep you from doing that, but it does keep you from doing is if the winner of the prize decides that they don't want the prize, currently now you can only exchange one of those prizes for a cash value. This would allow you to do it more than once a year.

**Rep. Klemin:** If you offered a car or \$25,000 at the election of whoever wins the raffle, right now that's limited to once a year, and this would make it no limitation.

**Rep. Koppelman:** The way the statute is currently written, could you not offer the raffle from the outset as a choice of car or cash. This statute talks about exchanging it.

**Rick Stenseth:** I don't know the answer to that. Mr. Lauer from the AG's office, may know if that is currently being allowed. I'm not sure. The fact that we're offering either/or is disallowed right now because we're only allowed to offer cash prizes up to \$1,000. So the changes work together to open up the opportunities.

**Chairman DeKrey:** Thank you. Further testimony in support. Neutral testimony.

**Keith Lauer, Director of Gaming Division, office of AG:** We are neutral. I brought a handout that details the history of raffle law changes. On line 7, where we talk about raffles with a local permit. Currently, there are two ways you can do raffles in the state of ND. One of them is with a local permit where prizes are restricted to \$12,000 a year. They don't actually come through our office at all. They are approved by the local jurisdiction, either the city or county. We do get copies of the actual certificates issued by the city or county, but the application is made to the city or county with a list of prizes to make sure that the prizes don't exceed the \$12,000 per year. There is no tax return reporting by those organizations that receive a local permit. A question that came up about exchanging a merchandise prize for cash up to \$25,000. The way the current administrative rules are written by the State Gaming Commission, is that an organization cannot advertise the fact that they can exchange merchandise prize up to \$25,000 except that they are only doing raffles once a year. Otherwise, they wouldn't even be able to advertise that fact. They are advertising a merchandise prize and if the winning player desires to exchange it, they have that opportunity once a year currently.

**Rep. Koppelman:** I was looking at the handout you passed out, it appears to me that it shows the growth and limits on raffles from 1983 where they were \$500 and went up from there. What would this, in effect, do; would it allow an organization to offer a raffle once a week if they wanted to.

**Keith Lauer:** You're correct. They could do a cash raffle as many times as they wanted to. It is my understanding that part of the limitations that were put in back in 1983 and 1989, restricting the cash prizes was because the legislature did not want charities to set up daily lotteries. I don't know if that is still a valid concern. The limits haven't been raised since 1989, and they are pretty small for charities that want to do 50/50 raffles, where they will give away half of the money and the other half goes to the charity. I should point out that in March 2006, was the highest grossing quarter we've ever had with raffles, at \$1.5 million dollars in wagers. It is still a pretty small game type compared to the other game types around the state, but it has the highest profit margin to the charity. Usually about 50% of the entry fee goes for prizes and the other 50% goes to the charitable organization. Other game types have a much smaller profit margin.

**Rep. Klemin:** The exchanging of a prize for cash is something that we just added last year, wasn't it.

**Keith Lauer:** Correct, it was a result of a situation up in Minot, where an elderly woman had won a 4 wheeler, and the charity had gone ahead and paid her the cost of that 4 Wheeler in cash and actually violated the law.

**Rep. Klemin:** As I recall the testimony, this would allow these organizations to have these kinds of prizes once a year, at some major fundraising event. Under this proposal, if we take out that limitation, it becomes their routine daily thing.

**Keith Lauer:** It certainly could. I kind of doubt that charities are going to go to a daily raffle, but there's nothing to prohibit it.

**Rep. Charging:** What is the law relating to raffles. I don't know anything about them.

**Keith Lauer:** It all depends on what size of raffle you want to do. If a charity has less than \$12,000 a year in prizes, we direct them to a local permit. In that case, your merchandise

prizes are restricted to \$1200 by law and total prizes of \$12,000. If you're a small school that wants to do a raffle, our office directs them to the local community to get a local permit, because the most that can be charged by a local community is \$25 for a permit. There is no formal licensing process by our office. There are no taxes being paid on those. If they decide to go with a much larger prize where merchandise is valued at more than \$2500 and total prizes over \$12,000 they would have to apply for a state license. They would have to pay gaming tax on that, normally 5% to our office. They would have to get a state license and a site authorization. Site authorization has a maximum fee of \$100 to the city and the license from our office is \$150. It all depends on what type of raffle you are running.

**Rep. Klemin:** First on the issue regarding changing line 7 and 8, add "For raffles with a local permit", they can still continue with that single cash prize with the limit. But if they got a permit from your office, it would be unlimited.

**Keith Lauer:** Yes. Once they got a state license and site authorization, which could be one of their active sites already, and start filing tax returns on a quarterly basis, they could certainly be unlimited in how many of those they run and unlimited as far as the cash prizes they could go.

**Rep. Klemin:** On the advertising restriction, is that going to change if we pass this bill. There is some other provision in state law that gives you the authority to restrict their advertising.

**Keith Lauer:** I'm not sure that the State Gaming Commission would do with it if the law was changed. I am assuming that they would change the language. The State Gaming Commission has said, that realizing that there is one opportunity a year when you can exchange merchandise for cash, up to \$25,000. They've said that in the advertising of that particular raffle, you could only put in there that it can be exchanged for cash if you are only doing one raffle a year, because of this restriction by state law. The State Gaming

Commission would have to look at that language and either eliminate it or change it in some way.

**Rep. Klemin:** Would this be in direct competition with the lottery advertising. It seems a little unfair that you can't advertise these raffles which are limited now with this bill, but you can go ahead and do all the advertising for the lottery.

**Keith Lauer:** Organizations are not restricted on what kind of advertising they can do for raffles. The only thing that the administrative rules say, that if in fact you are going to offer cash as an exchange for a merchandise prize, then you can only do that if you're going to have one raffle per year, because of the fact of this restriction in law. Therefore, when an organization like St. Mary's Central High School has got a car that they are raffling next weekend, since they only do of them a year, if they wanted to advertise it, if a winning player requests cash, they could put that actually on the ticket. Nothing has ever restricted them in the amount of advertising that they can do, on either merchandise or cash prizes.

**Rep. Delmore:** If they do the \$12,000 local permit, they can do as many of those a year as they wish.

**Keith Lauer:** As long as the total prizes that they offer during the year doesn't exceed the \$12,000. If they wanted to do a dozen of them, and each one of them was for \$1,000, they'd be fine. As soon as they hit that \$12,000/year threshold in prizes, then they have to apply for a site authorization and license through our office.

**Rep. Kingsbury:** Looking at licensed organizations, they have various sites.

**Keith Lauer:** Yes, they can have more than one site, currently they are restricted to 25 sites.

If they go more than the 25 sites, they are allowed an additional five sites, as long as no other charity wants those sites.

**Rep. Kingsbury:** But can one site of this organization, could have a \$25,000 prize, can it only be one site. What % of the ticket sales go to that charitable organization.

**Keith Lauer:** I'm not quite following your line of questioning. If the organization gets a state license, they have to have the drawing for the raffle at one of their licensed sites, or they have to get another site authorization. Whenever you do a raffle drawing, it has to be done at one of the sites that they're already licensed at, or they get an additional site authorization for the drawing location, either headquarters or whatever. The \$25,000, last sentence in this paragraph that says, that on one occasion per year that organization, at the request of the winning player can exchange a merchandise prize up to \$25,000 cash.

**Rep. Klemin:** That last provision, about exchanging merchandise is really immaterial, because under line 7 and 8 you can have cash prizes for any amount all the time.

**Keith Lauer:** I guess I can't argue with that. If you're going to open it up completely on the cash prizes, why even have the language that says you can exchange a merchandise prize for cash.

**Rep. Klemin:** I would suspect that the odds of winning one of these is like winning the lottery and won't it directly compete with the lottery.

**Keith Lauer:** I think we have a little bit of difference with charities doing raffles as opposed to the lottery. The current retailers of lottery tickets are paid 5 cents for every ticket that are sold, they get a commission. They also do get some type of commission if, in fact, they sell the winning tickets. Typically under charitable raffle tickets, they have a lot of volunteers that sell tickets on their behalf, this is why this is such a good money-maker for the organization; that they have their members sell the tickets on behalf of the organization and usually don't get paid a commission. In fact, the administrative rules restricts some of the sales. Somebody selling raffle tickets can't retain some of the tickets for free as compensation for selling them.

Those are in administrative rules currently. I can't say that this would be direct competition with the lottery, but it is opening up the cash prizes and doesn't prohibit it from being done.

**Rep. Klemin:** When you go into a casino area run by a charity, have black jack, they could all be selling these raffle tickets too.

**Keith Lauer:** Yes, they certainly could. That wouldn't be prohibited today. Other than the cash prize is limited to what was set in 1989 by legislature.

**Rep. Delmore:** If we look at the Native American casinos, they can raffle off 15 cars a year if they want.

**Keith Lauer:** Normally in those cases, what they do, the entries into those car raffles, the entries are given out based on people playing at slot machines and they're given out as promotions, to entice you to play other game types. Those people haven't bought a ticket like you would in this case, to get your chance to win those vehicles at the casinos. Usually it's because you are playing on a slot machine. Casino workers will usually come around and hand you an entry form. You aren't paying an additional fee for that entry. It's not considered to be a raffle.

**Rep. Delmore:** Under current law, if the casino wished to sell ticket, they could.

**Keith Lauer:** I believe they could.

**Chairman DeKrey:** Thank you. Further testimony in support.

**Mike Donahue, ND Wildlife Foundation:** We are a non-profit organization. We hold a raffle event once a year and we are licensed by the state. We use the host site as the Eagles Club in Valley City. We sell 400 tickets at \$100/piece. The prize is a vehicle or cash if they want it. We take in \$40,000 and our expenses run around \$20,000. We support the bill because this would give us a change to do something like this twice a year. I can assure you that it wouldn't

be every day or every weekend, because it's all volunteers that do the work and putting the whole program together, for example, is a lot of work.

**Rep. Griffin:** If we changed the word "one" to "five" occasions, would you be interested in that.

**Mike Donahue:** As far as we're concerned, two would be fine.

**Chairman DeKrey:** Thank you. Further testimony in support.

**Lance Hagen, ND Hospitality Association:** We support this bill.

**Chairman DeKrey:** Thank you. Further testimony in support. Testimony in opposition. We will close the hearing.

(Reopened later in the same session)

**Chairman DeKrey:** We will take a look at HB 1263.

**Rep. Delmore:** I move a Do Pass.

**Rep. Meyer:** Second.

**Rep. Koppelman:** Just a clarification, please explain again what this bill does.

**Chairman DeKrey:** This basically says if you want to raffle off a prize, you can put a disclaimer that says "or a cash value of \_\_\_". I'm not sure that that is such a bad deal. I remember an instance a few years back, where a guy won a car and couldn't use it, and the dealer only wanted to give him less than the value of the car.

**Rep. Klemin:** The way I read this, this allows unlimited raffles for any amount, at any time, whenever you want, wherever you want, maybe for merchandise or cash; it's continuous, all the time. I think this takes it from virtually nothing to the other end of the extreme.

**Rep. Koppelman:** It seems to me that by limiting the line that starts on line 8 and continues on line 9, we're basically saying that you can do up to \$25,000 raffle, whenever as much as you want and now it's once a year.

**Rep. Klemin:** It also has on there that it is \$1,000 and \$3,000/day for local permits.

**Rep. Koppelman:** But if you get a state permit, you can do a \$25,000 every day.

**Rep. Klemin:** They can do a million dollar raffle if they want to, because if you read this without lines 10, for the ones that had the state permit from the AG, there is no restriction whatsoever. It's only for local permit raffles that you have the limitation. Then it goes on to say, once the organization can exchange the merchandise for not more than \$25,000 cash prize. Keith Lauer agreed that you don't even need lines 9 and 10, it is quite meaningless once you've opened it up completely on line 7 and 8.

**Rep. Delmore:** Mr. Lauer said it was a cap of \$12,000/year now.

**Rep. Klemin:** For local permits, not for ones with the state permit; \$12,000/yr. local permit cap.

**Chairman DeKrey:** So if you took out that area.

**Rep. Delmore:** I will withdraw my motion. I think since this is Rep. Boehning's bill, he should be here while we discuss this bill. We need to take this up later, whether we need to look at making it two times a year. But there wasn't any opposition to this bill.

**Rep. Klemin:** Just because there wasn't any opposition to this bill, doesn't mean we can't give this our due diligence.

**Rep. Meyer:** I will withdraw my second.

**Chairman DeKrey:** We will take this up later.

# 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1263

House Judiciary Committee

Check here for Conference Committee

Hearing Date: 1/30/07

Recorder Job Number: 2305

Committee Clerk Signature



Minutes:

**Chairman DeKrey:** We will take a look at HB 1263.

**Rep. Klemin:** I don't have a problem with increasing the one occasion to two occasions per year. However, as I understood the testimony as it was given, on lines 7 and 8, it would basically nullify the reason for having that kind of exchange because you could have unlimited raffles for a myriad of amount whenever.

**Rep. Koppelman:** I agree. If we amend the bill and remove the overstrike over lines 8 and 9; and change one occasion to two occasions and remove underlined language. I move that amendment.

**Rep. Griffin:** Seconded.

**Chairman DeKrey:** We will take a voice vote. Motion carried. We now have the bill before us as amended. What are the committee's wishes.

**Rep. Griffin:** I move a Do Pass as amended.

**Rep. Heller:** Second.

**12 YES 2 NO 0 ABSENT**

**DO PASS AS AMEND**

**CARRIER: Rep. Heller**

**House Amendments to HB 1263 (78270.0101) - Judiciary Committee 01/31/2007**

Page 1, line 7, remove the overstrike over "~~No~~" and remove "For raffles with a local permit, no"

Page 1, line 8, remove the overstrike over "~~However,~~"

Page 1, line 9, remove the overstrike over "~~on not more than~~", after "~~occasion~~" insert "two occasions", remove the overstrike over "~~per year a~~", and remove "A"

Renumber accordingly

Date: 1-30-07  
Roll Call Vote #: 1

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1263

House JUDICIARY Committee

Check here for Conference Committee

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

Action Taken Do Pass as Amended

Motion Made By Rep. Duffin Seconded By Rep. Heller

Representatives	Yes	No	Representatives	Yes	No
Ch. DeKrey	✓		Rep. Delmore	✓	
Rep. Klemin	✓		Rep. Griffin	✓	
Rep. Boehning	✓		Rep. Meyer	✓	
Rep. Charging	✓		Rep. Onstad	✓	
Rep. Dahl	✓		Rep. Wolf	✓	
Rep. Heller	✓				
Rep. Kingsbury		✓			
Rep. Koppelman		✓			
Rep. Kretschmar	✓				

Total (Yes) 12 No 2

Absent 0

Floor Assignment Rep. Heller

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

**REPORT OF STANDING COMMITTEE**

**HB 1263: Judiciary Committee (Rep. DeKrey, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (12 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). HB 1263 was placed on the Sixth order on the calendar.

Page 1, line 7, remove the overstrike over "~~No~~" and remove "For raffles with a local permit, no"

Page 1, line 8, remove the overstrike over "~~However,~~"

Page 1, line 9, remove the overstrike over "~~on not more than~~", after "~~occasion~~" insert "two occasions", remove the overstrike over "~~per year a~~", and remove "A"

Renumber accordingly

2007 SENATE INDUSTRY, BUSINESS AND LABOR

HB 1263

# 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **HB 1263**

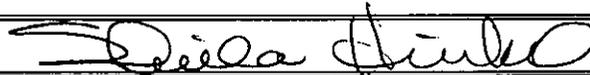
Senate Industry, Business and Labor Committee

Check here for Conference Committee

Hearing Date: **March 13, 2007**

Recorder Job Number: **4976**

Committee Clerk Signature



*Raffles:*

**Representative Randy Boehning – District 27 – Fargo, WFargo - In Favor**

## **TESTIMONY # 1**

We have some amendments for the bill. Others will be speaking.

**S Klein:** What we're doing here is offering these groups to have two occasions when they have a big prize rather than one occasion?

**Randy B:** It was amended up from one occasion to two occasions. This has been amended a couple of times.

**S Klein:** You're ok with these amendments and actually what are we doing here?

**Randy B:** Offer raffles twice a year, versus once a year, currently.

**S Klein:** But it's two raffles of high value, is that correct? Because we can get the permit, we're not changing that.

**S Hacker:** What was the original intent of the bill?

**S Andrist:** Why a player can't make his own exchange? Why does the organization have to do it?

**Todd Kranda – Attorney – Lobbyist on behalf of the Charitable Gaming Association of**

**ND - In Favor C-CGAND**

**TESTIMONY # 2**

I handed out a one-page testimony along with amendments. 1263 was changed in the House, you received an email from Rick Stenseth that gave a history, but generally 3-4 raffle bills that the House Judiciary Committee and they tried to consolidate or merge the bills together and in their efforts to change and tweak their bills, we lost what we wanted in 1263 which was our original bill as the sponsor to do. So what I've done is worked with CGNAD and created this amendment and the amendment is really intended to bring us back a better wording than the original bill that came in relating to raffles. You can have a raffle such as at a ½ time at Basketball games with 50/50 split. What they do is sell tickets. They sell tickets to people there and split the pot. This can occur anywhere. What we're looking at is to try to cap the opportunity, right now the law limits no more than \$1000 cash prize, even though there is more than \$1000 cash pot. It says, "unless the raffle pot prize is 50% of the gross proceeds, then the proceeds of limitations of \$1000, would not apply. If we DO have a 50/50 split and you're selling at NDSU and UND game as a booster club raffle tickets for the opportunity to win ½ the prize, if you sell more than \$2000, you would be prohibited from fulfilling that 50/50 payoff. This is isolated, and our intent is dealing with those type of situations. With regards to the change from 1 or 2 occasions that came up, there may be a raffle for a vehicle, the person doesn't WANT that vehicle, I suppose they could sell it and exchange it themselves. This allows for the person previously on one occasion, but now on two occasions for that organization to "cash them out" in up to \$25,000 in lieu of the vehicle they are auctioning off. They could receive the cash prize in lieu of.

**S Hacker:** *Example:* When my wife and I put \$5 in a 50/50 raffle, and won \$1500, that was illegal?

**Todd K:** I'm not sure what the gaming legislation would be on \$1000. If you can move the amendment and support the amendment it would be ok.

**S Hacker:** Now we'll have to make it retro. On the exchange part of this we need to be open about this. It deals with tax consequences, correct?

**Todd K:** I believe there are tax consequences that you receive a vehicle worth \$34,000, obviously you're paying the tax, license, etc. I think you would save that by taking the cash, and then you claim the cash as \$25,000.

**S Klein:** Then we would claim cash, take the \$25,000, and the organization could raffle the vehicle one more time?

**Todd K:** I'm not sure what happens to that vehicle, whether there is an arrangement with the dealer, I'd assume that they've either gotten the vehicle donated or paid for it, and so how they pay for it, I don't know.

**S Hacker:** Would this be correct – if I took that vehicle, went and sold it, I would pay a sales tax on that price and then the income tax, so I'm getting double-taxed.

**Todd K:** I think that's the intent of one or two occasions per year. That was a compromise. I think it was open-ended in the House and so they just increased it slightly. Our focus is this amendment because it's 50/50.

**S Hacker:** The \$25,000 cap came into play in 2005, correct?

**Todd K:** I don't know the history on that.

**S Potter:** What happens currently if an organization takes in more twice the amount that is wagered on one of these 50/50 deals? What if they collect \$5000 and they give only \$1000?

**Todd K:** I'm not sure. Your legal responsibility when you apply for the raffle, you have to declare that.

**S Potter:** So you'd have to limit the number of tickets sold.

**Todd K:** Yes, or you wind up paying \$1500 and causing problems, one way or another.

**S Klein:** As a booster, how many folks on that committee understand or is the law handed out to them when they apply for that permit.

**Todd K:** These are lay individuals, volunteer parents usually that just come and work.

**S Klein:** So if they took in \$5000 and gave \$2500 back, not knowing that the law says you can only give \$1000.

**Todd K:** I think they are just naive about that and don't know the limitations until technically someone would point that out, I think you're right.

**S Potter:** I'm just wondering, this makes it open-ended. We could be selling \$100,000 worth of tickets and paying out \$50,000 prizes. Is there a limit or is this question better directed at CGNAD? It seems to me too open-ended, I want to put a limit on it.

**Todd K:** You're only limited now by the number of tickets you can sell at this event. In ND, we don't know what the realistic opportunity is for doing that. If you see something more than I see, maybe we can get some examples.

**S Wanzek:** Curious, as the bill is now, does this also include religious or charitable organizations? Churches?

**Todd K:** Any licensed organization is involved in this. I'm not sure if the churches are a special entity. I think the churches are the same.

**S Wanzek:** Our church holds a large raffle every year and the prize is considerable.

**S Klein:** Is this bill about raffles or about the 50/50?

**Todd K:** This is 50/50, raffles...

**S Klein:** Like St. Mary's having their big ticket sales, raffle a car

**Todd K:** Yes, that's the situation where it might be the two occasions where it might be more than \$25,000 in prizes.

**S Klein:** But it doesn't apply to that particular raffle.

**Todd K:** No, not in the amendment.

**S Heitkamp:** You say you're only limited by the amount of tickets that you sell, but you're not. You're limited by the \$1000.

**Todd K:** Right now you're limited to the \$1000 legal limit that you can pay out on 50/50...

**S Heitkamp:** If someone says we want to have some type of limit on this, that it be too open-ended and have any limit, there is a limit in current law now?

**Todd K:** That limit stays. We're not changing it EXCEPT for the 50/50 and that's the intent of the amendment, raffle opportunities.

**S Andrist:** What would you do if the organization had two rolls of tickets, 2000 blue tickets and 2000 yellow tickets and selling them at the same event and giving away two \$1000 prizes?

**Todd K:** I don't know what the limits are for simultaneous ticket raffles. We didn't think of that. We are just saying everyone at the organization KNOWS that they're in the pot and it's ½.

**S Hacker:** Are these organization, are they permitting organizations getting the permit in the first place? Some of these are pretty hodge-podge like high school ball games and a different organization each time, they want to raise money for every little cause.

**Todd K:** I think there is a local opportunity as well as the licensed organizations conducting a raffle. I know boosters were local. This would apply separately.

**S Klein:** I think the locals know they need that permit to do that, in our community, every ball game there is a 50/50 with a local permit.

**Rick Stenseth**

Your questions are excellent and well-answered. In the issue of 2 separate rolls of tickets, that would be perfectly fine, and then people would say, "How much is in the green pot? How much is in the blue pot?" and you end up with two separate winners, which all is perfectly fine

in the current rule, the reason is to get the pot as big as possible and give one individual that winning. That's what we're after with our amendment.

**S Wanzek:** When you read, "no single prize may exceed.... In one day." Could you do that 50/50 raffle and you pay out 50%, but you pay out 3 different prizes of \$1000 each? Would you still be meeting the law?

**Rick S:** Yes, you'd be meeting the law, but you'd have 3 different winners, then we've lost the 50/50.

**S Potter:** What's in your head, how many tickets can be sold. What do you really need? NOT unlimited, what's enough?

**Rick S:** We'd be agreeable on limits, we've worked with a dome event, 12,000 – 14,000 people at the dome, they did an event this year and of the 5 home games, 2 of the games oversold the \$2000 maximum sales to be a true 50/50. They did not call it a 50/50, they called it a \$1000 cash raffle. The potential maybe \$5000, somewhere between \$5000-\$10,000. UND hockey, 1000's in attendance, concert events, conferences, of 10,000, you'll get about 25% participation.

**S Klein:** In a 50/50 is one of those that the tickets are sold at THAT EVENT with the prize being awarded at THAT EVENT.

**Rick S:** It's not "Let's start selling tickets on Thursday." It is all encompassing. An event may be more than one day, conference, those events are contained, the raffle is completed, if the prize is not claimed, if the winner is not there, the fall back is that the organization gets it, currently if no one claims it. After 24 – 48 hours if no one comes up with the ticket, they keep the money.

**S Potter:** As a consumer, what would the maximum cash prize might be? Would they run a raffle and say it is a \$2000 cash prize, and if they took in \$10,000, \$800 would go to the organization as profit. Would your organization take that kind of risk?

**Rick S:** We would, under the current statute we are limited to the \$1000 cash prize. If that limit were to change, then that would also affect the 50/50 raffle prize. We didn't approach that. We felt that limit was important. A 50/50 is good for everybody. The players getting back 50% of the proceeds.

**S Potter:** Nobody buys a ticket thinking they're going to win.

**Mike Donahue – ND Wildlife Federation - In Favor**

Addressing one occasion to two occasions for the licensed activity. As a given example, at the Federation, once a year we sell 400 tickets, that's the cap and the choice is for cash or a vehicle. Yes, if the winner takes the vehicle, they have to pay tax and license on the vehicle, and they get a 1099 so they can pay the taxes. If the \$ amount is raised in exchange for the vehicle, now we'll look at doing it twice a year. Once a year is a lot of work, twice a year is a whole lot more. We would like the opportunity to try that. We sell 400 tickets.

**S Behm:** What about a buffalo hunt or elk hunt? How do you put a dollar figure on that?

**Mike D:** I believe the organization would arrange that, whomever the outfitter is, whatever they say the costs are, that would be the value of it.

**S Potter:** As long as there is no limitation on those kinds of prizes, unless you try to cash it in. I can raffle off trips to Europe as long as it's not a cash prize, right?

**Mike D:** I can't answer that.

**S Potter:** Keith will know.

**Robert (Bob) Harms – ND Hospitality Association - In Favor**

**TESTIMONY # 3 – with an Amendment**

*Went over testimony.*

**S Heitkamp:** If we start expanding this bill, aren't we creating a haymaker?

**Bob H:** That was looked at this issue.

**S Heitkamp:** I don't questions you, but the gaming and fees. If this was necessary with all the information the hospitality association has?

**Bob H:** That issue came up after we were in session and were looking for a vehicle and we're looking for a reasonable chance.

**S Klein:** So what we're doing is raising the price to the charitable gaming is that correct?

**Bob H:** Yes.

**S Klein:** So the Hospitality Association points of gaming, they will allow them to raise the price to the charitable organization by the amount of gaming they can do. Have you run these by the folks and have some sort of understanding that they think this is a good idea? Have you had a discussion with the Charitable Gaming of ND?

**Bob H:** We have not. We have spoken with our members.

**S Potter:** I'm supportive of the numbers you have in here, but the process is wrong. This is the wrong process for the right bill. It's not really negotiation at the sights, this is an increase, don't you agree?

**Bob H:** No

## **OPPOSITION**

### **Warren DeKrey- ND Council of Gambling - In Opposition**

Refer to the last amendments discussed. 1977 when the allowable expenses were 33%, then 35%, then 40%, then 45%, then it 50% and sometimes even higher. This isn't a good approach.

**S Klein:** Wouldn't you agree that having gaming in an establishment can be a draw at that particular establishment?

**Warren D:** Yes, I assume so.

**S Klein:** So it provides a benefit to the establishment.

**Warren D:** Yes

**S Heitkamp:** You've been consistent. The people you've protected are those individuals who can get sucked in and taken advantage of. If I'm in a Bison football game, and I'm buying a ticket for a 50/50, it would seem that of all the gaming, this is probably the LEAST opportunity for compulsive or addictive gaming. Would you agree with that?

**Warren D:** I have had no problem with the other 2 amendments. This is the one, Bob's Amendment that I'm speaking against. Sorry, Bob.

**Keith Lawer – Gaming Division, Attorney General's Office Response**

Response to S Potter's question: You can have an unlimited merchandise prize for a raffle. The only restriction is on CASH. It was put in 1993, had a \$500 amount, in 1989 it was raise to \$1000 top maximum prize for one individual or \$3000 on a day and that was to prevent daily lotteries from charities where everyday you have a raffle and give away ½ the money. 2005, you could exchange a merchandise prize for cash up to \$25,000, that was in response to a raffle that occurred in Minot. An elderly woman won a 4-wheeler, she did not want the 4-wheeler worth 4-5 thousand dollars or more and they went ahead and paid her in cash. They had a contract to give a 4-wheeler, but they just didn't exercise it, they just went ahead and paid her and they violated state law and asked to have this option put in and available.

**S Potter:** are there any requirements that raffles pay out certain percentages? When they end up with 80% being kept? Is that against the law?

**Keith L:** Raffles are the biggest money maker for the charities. The profits last year were 57%, as opposed to other game types where there is blackjack may be 16% profit, and pull tabs, 20%, with raffles, 57% for fiscal year. Most profitable.

**S Potter:** Are there any limits on prizes in Calcutta or Bingo? Any other cash prizes in gaming?

**Keith L:** Not that I'm aware of.

**S Heitkamp:** So the Catholics have it right.

**S Hacker:** I thought this section dealt with real estate property. Do you know some history?

**Keith L:** 1981 there was a Current Resolution that was passed to study Charitable Gambling, so in the 1983 session they made these changes where there was a restriction on Real Estate. That's not come out of this study. No one could understand why real estate was restricted.

**CLOSE**

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **HB 1263 B**

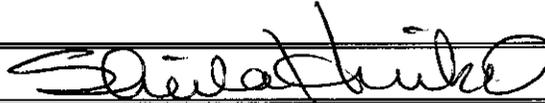
Senate Industry, Business and Labor Committee

Check here for Conference Committee

Hearing Date: **March 14, 2007**

Recorder Job Number: **5038**

Committee Clerk Signature



### *Raffles*

**S Klein:** Talks about the Kranda Amendment and the 50/50 split. If you go to a Bison game and you do the 50/50 and it goes over \$1000, it sounds like they have been doing this illegally, Adding that language would provide for them to give half of whatever they take in. The

Hospitality amendments seem to me that raise the fees with no committee hearing on that particular amendment.

**S Heitkamp:** I move the Kranda Amendments.

**Second by S Hacker**

**S Potter:** I think they open it up too much. I'd still want to have some top limit on that, whether \$5000 or \$3000 or something. This just creates a new form of gaming that can be taking place every day, all the time, with no limitation on prizes. I think it's a potentially a HUGE expansion. I know what they're talking about, I know what they want to do, that's fine, but I think it has the potential of being abused by people like me.

**S Klein:** So you're suggesting that every day when someone comes to visit the Custer House, you would be doing that?

**S Potter:** I could be doing that all day.

**S Klein:** But you have to be present to win, so you would be able to keep them all day then?

**S Potter:** That would be a good thing then.

**S Heitkamp:** Let me explain the reason I support the amendment. The amendment put us back in the position where we're going to be talking to the House. The discussion will be "How to get the Bison games 50/50." That was the intent and reason. I don't think it's in its final form no matter how we sent it out of here today. I just don't think that without amending it in some form, then we might as well kill the bill. Then it doesn't do anything.

**S Potter:** I completely agree with that, but a simpler amendment is to raise the limit on the cash prize. Forget about the 50/50 stuff, trying to "create a new game" and put it into the code.

**S Heitkamp:** So you're saying instead of \$25,000?

**S Potter:** No where it says, line 8 "one day may not exceed \$1000," make that \$3000, \$5000?

**S Heitkamp:** If you want to pick the number, I'll withdraw my motion for the Kranda

Amendment because I agree with what you said. What I was trying to do is FIX what the intent of the bill was.

**S Klein:** So on line 8, one day may not exceed... \$1000?

**S Potter:** Yes, \$5000 or \$10,000, that would be a good thing. Put back into negotiations with the House and that may not be where we end up.

**S Heitkamp:** I'm ok with that. I withdraw my motion.

**S Hacker:** Second

**S Potter:** I move **Amendment to on line 7, "1 to 5" and on line 8, "3 to 10."**

**Second by S. Heitkamp**

**S Hacker:** Seems like we're butting up against the \$25,000 limit at the bottom. Is there a drive to change that as well or just leave it?

**S Potter:** I'd leave it. I think the \$25,000 is a loophole that we allowed. We say CASH prizes can only be \$1000, but you can give away a HOUSE on your raffle and you can exchange

anything for up to \$25,000, any prize given, so you really have this \$25,000 merchandise prize out there. You can HAVE that, you just can't have the cash. But you can GET the cash. I don't think you need to touch that.

**S Klein:** The House killed an issue to raffle real estate.

**S Potter:** They killed that?

**S Andrist:** I support this amendment and offer one more. I see the last part where the House says they can do it twice a year, it is a significant expansion in gambling, I just want the committee to know, that it should be a trial for the committee.

**S Klein:** It seemed there was only one organization that really wanted that was the Wildlife group that's not even sure they can do it. It seems to me they do one a year with water tickets and thought they could possibly do another in a year.

**S Andrist:** I think this is an invitation for more people to get into "big time" raffle.

**S Klein:** We'll come back to it after this amendment.

**Roll vote on Potter Amendment – 7-0-0 passed**

**Amendment: Line 7, change 1 to 5; line 8, change 3 to 10.**

**S Andrist:** Like to move an Amendment to change to go back to only one occasion a year instead of 2.

**Second by S Wanzek**

**S Klein:** I respect Warren DeKrey, he didn't oppose that. His discomfort was in what the Hospitality group was going to do as a charitable gaming post, I'm not sure of resistance to that.

**S Andrist:** I have a strong stand against expanding gambling. It's with us, we can't escape it, we have to accept it. The Pandora's box is opened. I don't think it's necessary to keep facilitating more and more people who get into the business of doing more and more of it.

**S Hacker:** When Warren got up there and said he had no problems with the bill, whatsoever, he said raffles aren't quite like the gaming that we think of. They are more of "giving back to the community."

**S Potter:** Less addictive than other gambling. No one buys a raffle to win.

**S Heitkamp:** No one buys a raffle to win, like you said.

**S Potter:** It's not necessarily the number of raffles in expansion. An organization can hold as many raffles as they want to. What this is about is exchanging CASH for the big prize that they have. Symbolically, I'd support your amendment to limit that activity, and I'm not crazy about the sportsman organization anyway, I've seen their gaming sites.

**Roll call vote S Andrist Amendment – 3-4-0 Failed**

**Declines: Klein, Hacker, Wanzek, Heitkamp**

**S Andrist Amendment = move from 2 back to 1**

**Line 8 – cancel 2 to go back to 1.**

**Second: S Hacker**

**S Andrist:** A comment – I believe any bill that expands gambling deserves a couple of NO votes.

**S Klein:** So much for the carrier.

**S Andrist:** I would have carried it.

**S Wanzek:** I appreciate Senator Andrist's feelings about that, the one raffle I think of is the Basilica of St. James. I buy my \$100 ticket, not because expect to win, even though I won last summer, \$10,000 prize, but when I give my hundred dollars I figure it's a contribution and the \$10,000 was given back to the church, and a week later I won the Jamestown gymnastics club raffle too. I agree that it's not as addictive and I know us Catholics, and I buy the ticket based on the contribution.

**S Klein:** Especially in a small areas where we have the Golf Course raffle every year, a Café raffle every year, FFA, Knights of Columbus, Firefighters, we seeing it as providing money back into the community.

**S Andrist:** I understand that the Internal Revenue made a call to Terry's priest to find out if he donated \$10,000 to the church, it was reported, the priest said, "he will."

**S Heitkamp: Motion for a DO PASS AS AMENDED – 5-2-0 Passed**

**Declines: Andrist, Behm**

**Carrier: S Potter**

**PROPOSED AMENDMENTS TO  
ENGROSSED HOUSE BILL NO. 1263**

Page 1, line 7, overstrike "No" and insert immediately thereafter "Unless a raffle prize is fifty percent of the gross proceeds, no"

Renumber accordingly

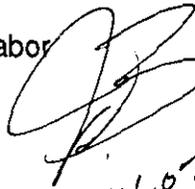
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1263



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Adopted by the Industry, Business and Labor  
Committee

March 14, 2007

  
3-14-07

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1263

Page 1, line 7, overstrike "one" and insert immediately thereafter "five"

Page 1, line 8, overstrike "three" and insert immediately thereafter "ten"

Renumber accordingly





Date: 3-14-07

Roll Call Vote: 4 Final

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. HB 1263

Senate INDUSTRY BUSINESS & LABOR <sup>"</sup>Engrossed<sup>"</sup> Committee

Check here for Conference Committee

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

Action Taken DO pass As amended,

Motion Made By Heitkamp Seconded By Hacker

Senators	Yes	No	Senators	Yes	No
Chairman Klein, Jerry	✓		Senator Behm, Art		✓
Senator Hacker, Nick, VC	✓		Senator Heitkamp, Joel	✓	
Senator Andrist, John		✓	Senator Potter, Tracy	✓	
Senator Wanzek, Terry	✓				

Total Yes 5 No 2

Absent 0

Floor Assignment POTTER

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

**REPORT OF STANDING COMMITTEE**

HB 1263, as engrossed: Industry, Business and Labor Committee (Sen. Klein, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (5 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1263 was placed on the Sixth order on the calendar.

Page 1, line 7, overstrike "one" and insert immediately thereafter "five"

Page 1, line 8, overstrike "three" and insert immediately thereafter "ten"

Renumber accordingly

2007 HOUSE JUDICIARY

CONFERENCE COMMITTEE

HB 1263

## 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1263

House Judiciary Committee

Check here for Conference Committee

Hearing Date: 4/18/07

Recorder Job Number: 6103

Committee Clerk Signature *D. Penrose*

Minutes:

**Rep. Klemin:** Called meeting to order. Clerk called roll. All present. We had passed HB 1263 out of the House with one change, increasing the number of occasions that a licensed organization could exchange merchandise prize for cash from one occasion to two occasions per year. In the Senate, they made an amendment to the bill to change another part of the statute on raffles, relating to cash prizes and I'm just wondering if you would like to tell us why you did that.

**Sen. Hacker:** The reason that the Senate amended the bill to raise the dollar amounts on the 50/50 raffles which are taking place across the state. Many of these raffles get to be a little more substantial than the \$1,000 which was the original limit. If you go to a Bison football game or a Sioux hockey game, I'm not sure of the exact dollar amount of the Bison raffle, but they can get a little more substantial than the \$1,000 which was the original limit. People who go to the games, I'm not sure of the exact dollar amount of the Bison raffle, but on the 50/50 it could be \$2,000, but when you have a large venue of people available, a lot of people end up buying the raffle tickets and from what I understand they have inadvertently are going above this \$1,000 cap, they might raise about \$1500 and as a result, they are breaking the law. The new caps would allow them to do those raffles.

**Rep. Klemin:** You mentioned the UND Hockey games is about \$1500, are you saying \$1500 is the total amount put in, or that's the amount of the cash prize.

**Sen. Hacker:** It hinges on the event, but at a full hockey game, at 14,000 people they sell about 3,000 tickets, so the winnings would be \$1500 so that it above the \$1000 cap. So we're trying to make it legal for all parties. Testimony said that it wouldn't be anything larger, we had originally looked at taking off the cap completely. But then it was suggested to bring this back into scope, so then we just raised the cap essentially.

**Rep. Klemin:** I didn't see it in the testimony that I looked at from the Senate hearings on this, I didn't see anybody from these organizations that you mentioned appearing at the hearing to ask for this.

**Sen. Potter:** Yes, Todd Kranda, representing some organizations testified in favor of this. What he asked for was putting some legalities in these 50/50 raffles, he wanted to create them as a separate kind of activity that was under this Code, and that's when I suggested that we switch the discussion from creating a new form of gaming, a different category of gaming for the 50/50 raffle, and be able to take care of their concerns simply by raising cash prizes that was allowed in raffles, since we already allowed merchandise prizes far in excess of what these cash prizes would be at, at a hockey game for instance.

**Rep. Klemin:** I think, first of all, and Todd is here, I don't know if Charitable Gaming Association of ND represents these athletic organizations.

**Todd Kranda:** Yes.

**Rep. Klemin:** The change in the cash prizes, this doesn't apply just to these athletic events, it applies all across the board, statewide, any organization that could have a raffle could do this, and I would suspect that the majority of raffles are probably not at these athletic events, they

would probably have a majority of raffles at non-athletic raffles. You're involved with that Sen. Potter, would you agree with that.

**Sen. Potter:** Yes, I would agree completely, but I would say this. But again, merchandise prizes are far in excess of \$1,000 cash prize, \$5,000 or \$10,000 prizes at these events. Typically the reason that you have the high merchandise prize, is that they have been donated, and that's why we have the raffles to raise funds. I doubt that any organizations will actually be offering cash prizes to this extent, because it is a risky business.

**Rep. Klemin:** Actually, there is no risk at all with the cash prizes because you don't have to go out and get merchandise or do anything, you just have a raffle for cash and then you split the amount of the gross receipts 50/50 if that's the way they do it and if you don't get any money, you don't have to split anything, what's the risk.

**Sen. Potter:** If you set it up that way, so that if you knew that you were getting 50% of all the money that is coming in, you'd be absolutely right. But typically, you're going to tell them how much the raffle winning amount is (say \$5,000) then you're at risk if you don't sell that many tickets.

**Rep. Klemin:** As I understood the idea behind this, and the focus is on the 50/50 or it could be 60/40 or whatever amount is agreed upon in advance of selling these raffle tickets, but with the 50/50 kind of thing, there is no risk at all. You could do one of these all of the time, every day, and whatever you take in, you get half and you pay out half and I see that as being a potential for quite a significant expansion across the state, especially with these numbers, \$5,000 and \$10,000. You could virtually do, one organization at \$10,000 a day, what did we calculate, \$3,650,000/yr per organization, potentially. Sounds like a pretty big increase.

**Sen. Potter:** May I point out, current law already allows you to do a \$1,000 raffle and nobody is doing them. What you're suggesting as a possibility, I see it as a hypothetical that you're

right it could be that way, but it could be that way today with \$1,000 cash prizes and it's not. I think what we're dealing this, is an answer to the specific request from the charitable organizations that they be allowed to give out half the money they take in from the raffles and not have to worry about stopping the tickets at 2,000 tickets or actually proclaiming it is a 50/50 and then not giving out 50% of the winnings.

**Rep. Klemin:** I did not actually see in these materials, the Kranda amendment that was offered in the Senate. As I understood the Kranda amendment that is discussed in the amendment, was that something other than the increase from 1,000 to 5,000 and 3,000 to 10,000. That's the way the Senate amended it, not the Kranda amendment. Todd could you explain your amendment.

**Todd Kranda:** What it did, was at the beginning of the sentence, where it starts out "no single cash prize may exceed" there was a clause that excepted out, as Sen. Potter said, we tried to create the exceptions for the 50/50 or half-time split raffles that were not limited to the cash limit established in that sentence. It went something to the effect of, "except for 50/50 raffles, no cash prize may exceed...". We did try to carve out, as a category the raffle as the Senator pointed out. It would be 50/50 raffles. Then the Senate did, what the Senate said. They said they didn't want to create a separate category of raffles, which are already conducted, and create a separate statute but just elevate the payout. We're not talking about more raffles, just the payout. The changes were, I think within the testimony of Mr. Stenseth, who was actually from Playmakers, CGAND represents groups including a number of Athletic booster groups.

**Rep. Klemin:** Do you have any information on the amounts that have been done at some of these athletic events, like the football games.

**Todd Kranda:** I think Mr. Stenseth when he testified gave some range of figures and they were within this \$5,000 limit that the Senate decided to cap it at. I don't know if it was \$3500 -

5000 range is typically the potential and I guess it just depends, as the Senators mentioned, on the event size; the number of people participating.

**Rep. Klemin:** Would it be fair to say that the vast majority of raffles are not anywhere near these kinds of numbers.

**Todd Kranda:** I think that's a fair statement. I think you have the larger venues, the collegiate activities, the state-sponsored class A and class B, depending on the number of people participating at the Civic Center and other events such as that; so it is a large volume participation and I don't think it's been changed since 1989. So, obviously the venues have increased participation and it is directed at just those 50/50 raffles.

**Rep. Boehning:** Do you know how many raffles are taking place a year. Do you have any kind of ballpark number on that.

**Todd Kranda:** I don't recall any testimony from Keith Lauer's, Gaming Division, nor does CGAND have that data. Personally I know, and participate as a hometown booster of my high school and my children's activities and you do it at home games. We haven't reached this limit yet but I can see larger venues reaching that.

**Rep. Klemin:** I know from attending football games here in Bismarck, where that's been done, the cash prize is probably in the range of \$300. So that would be within the limit of the current law.

**Todd Kranda:** A large majority of them are, but there are some that are pushing the upper edge of the few that go over this and it's probably the major collegiate activities that are either at the Univ. of Mary, BSC, UND, and the colleges that draw a large volume attendance of people watching.

**Rep. Klemin:** As I understand this, and we've got a limited number of these football games, home games where you would be doing this, but we'd be increasing these numbers by 500%

for the benefit of a few, maybe 2 venues that have large home games on half a dozen or less occasions. That would increase the cap statewide for everything for the benefit of those few occasions.

**Todd Kranda:** Probably more than that, you have a number of activities, it's not just football or hockey, you have basketball games, and all the sporting events are just a sampling of where this could apply. I think as the Senators pointed out, at least Sen. Potter, you already have the \$1,000 cap and you indicated that organizations that are running raffles don't exceed that now, but there is a problem for some of these other organizations that we are trying to address and I think this created an approach that the Senate took, other than the Kranda amendment you referred to, made sense. We said that that would work for us, so we supported it and it's accommodating to these larger venues.

**Rep. Delmore:** Is it not possible that someone could start doing a 70/30 or a 60/40. There are ways to get around the law as we have it. The big thing that we're trying to promote is what's paid out, rather than the organization is taking in, am I correct.

**Todd Kranda:** That's true, and for it to be as advertised, and a lot of times we have to file permits. I know we do locally and we have to describe what is exactly going to be given away. You can't bait and switch on a raffle and say I'm going to pay out 50% and then you don't. That's where the problem comes in. Certainly we can run raffles now where you have \$20,000 in sales but you're limited to pay out \$1,000 and what we're saying if you're going to run a true 50/50 or half-time split where it's understood I'm taking my dollar out of my pocket and paying it in, and if I win, I get 50 cents back out of my dollar and everybody else's dollar that they put in and you're capped at \$1,000, and if you happen to go over for some reason, which are occurring unknowingly I believe by the holders of these raffles, we want to accommodate those situations.

**Rep. Klemin:** Seeing how the holders of these raffles are members of CGAND, shouldn't CGAND be telling them they can't exceed the statutory limits. What's the excuse there, I don't understand.

**Todd Kranda:** I'm not sure what communication has gone on. Obviously, it's been brought to someone's attention because they've come back to the organization and asked them to sponsor a bill that's before the legislature to address this concern and that's what we've done. HB 1263 was introduced in an original attempt to do that. It may not have been crafted the best and when we testified in front of the House, there must have been meaning lost, because I know it didn't come out addressing any of that and that's why we went to the Senate and tried to refocus here. I guess it kind of merged a couple of bills that I call raffle bills that you had in front of your committee in the House into this one bill and addressed nothing in respect to the 50/50 issue.

**Sen. Potter:** I don't recall at the hearing that there was any implication that the booster clubs actually exceeding the cash prize. There was no implication that they had acted illegally, the implication was that they had done false advertising in suggesting that it was a 50/50 but more than \$2000 was collected. Am I right, or did I miss something.

**Todd Kranda:** I don't recall there being any testimony that any organization had exceeded or not complied with the statute. I think it is fair to say that.

**Sen. Wanzek:** Won't this somewhat self-regulate itself, I mean there are a limited number of opportunities to find people congregating together to conduct a raffle.

**Todd Kranda:** I think it's fair to say that it already is, with the \$1000 cap. It's already self-limiting because of the number of participants that want to contribute as the chairman indicated, \$200-300 at the local high school. But these other organizations, as Sen. Potter said, may sell \$3,000-4,000 worth of tickets, aren't a true 50/50 raffle that they may be

advertising, that you will get half back or they are then caught between a rock and a hard place. You pay back a 75 point split on a \$4,000, so you will only get \$1,000, but you advertised it as a 50/50 or do you violate the law and pay them \$2,000 back because you have to comply with the ad of 50/50. I think it is self-regulating to the extent of the participants and the participants in talking about it, as Rep. Delmore said, all we're dealing with is the payback to the winner. You're not expanding the gaming opportunity, it's going to be there, there going to be contributing, it's just how you pay back the winner.

**Senator Hacker:** In current law you can do three of these at \$1,000/day for a total of \$3000 a day. Have you seen a raffle where there were three of them in one day?

**Todd Kranda:** I have not had that experience; I have had it as a single event.

**Rep. Lawrence Klemin:** If they did advertise the raffle as a 50-50 or \$1,000 whichever is less then they would be within the statute, would they?

**Todd Kranda:** That is a creative legal maneuver in crafting the language. Some organizations want it to be a true 50-50, so I think that is the reason.

**Rep. Boehning:** One of the problems I have with the amount is if we want to try to do something like this if we have a lot of people out there like at the State Fair. They sell \$1000's of dollars worth of raffle ticket to give away huge prizes. It would be better for them if they could give more cash away and then they don't have to get people to donate prizes etc. It is a lot easier to have these bigger raffles. The numbers will probably never be reached. It is not an expansion of gaming. The numbers haven't been changed since 1989 so that is almost 10 years.

**Senator Hacker:** These are charitable raffles. If people were really trying to extend gaming in the current law and pushing raffles they would be running three raffles a day and they are not

doing that. Warren DeKrey came to the Senate hearing and didn't have a problem with that number, only on how many occasions you could do it per year.

**Rep. Lawrence Klemin:** The House refused to concur on this by a good majority and I am concerned if we brought back a conference committee report that said leave it like it is that then we would have no vote. That is a possibility. The Senate may be more receptive to this than the House might be. We are going to have to adjourn and reschedule this meeting so we should be thinking about some alternatives.

Adjourned.

## 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1263

House Judiciary Committee

Check here for Conference Committee

Hearing Date: 4/19/07

Recorder Job Number: 6158

Committee Clerk Signature

*R. Penrose*

Minutes:

**Rep. Klemin:** Called the Conference Committee meeting to order. Roll call. All present.

When we recessed last time, we really hadn't taken up any discussion of the bill, but rather we had been talking about the reason behind the Senate amendments. Further discussion on the bill.

**Sen. Potter:** There was one point that I forgot to make in our last meeting. In our discussion in our committee, we talked about gambling addictions. The raffles are almost certainly impervious to that addiction. It's pretty impossible to become addicted to raffles, you're buying a \$1 ticket here or there and this is not like suddenly they become a gambler. So that's one of the reasons that we were a little more tolerant of it.

**Rep. Klemin:** I guess I looked at this issue too. One thing that would concern me is if we are going to have any type of amendment on here relating to increasing the cash prizes that it's going to have to be such that it will likely pass the House. The House has been very reluctant to expand gaming bills this session and of course, as you know, rejected the Senate amendments initially. One thought that I had, and I hadn't talked to any of the Senators about it, but I did talk to Representatives about it, was to increase the cash prize, single cash prize to \$2,000 and the total cash prize to \$4,000. That would be basically doubling the single cash

prize, it would dovetail neatly, I think, with the 50/50, \$2,000-4,000; and would likely take care of most, if not all, of these 50/50 raffles. I think that type of change would stand a better chance of passing the House, than the way it certainly is now. Any discussion on that type of proposal.

**Sen. Hacker:** If the House was not in favor of going to the \$5 and \$10, wouldn't they kill the conference committee report and we'd be back here trying to find that number to compromise, or would they accept the conference committee report and just try to kill the whole bill altogether.

**Rep. Klemin:** I don't know exactly what would happen, but I'd say that there is certainly a chance that the bill would fail.

**Sen. Hacker:** If the conference committee report was adopted.

**Rep. Klemin:** The conference committee was for \$5,000 and \$10,000. I would be voting no on that. I guess that's where I'm at. I don't see going back to the House with a conference committee report to have the amendments that basically the House has already said it's not going to adopt.

**Sen. Potter:** We had discussion afterwards, too. I understand the situation. What we looked at was the business of the total daily prize. It's fairly irrelevant to all concerned, because they are only talking about doing these once a day anyway, so there's no reason to actually double the single cash prize. What our hope to propose was to have the limit of \$5,000, one single cash prize, where a prize could not exceed \$5,000, which would be something you could take back and I propose that amendment. I make the motion that in line 8, we overstrike the word "ten" and replace it with "five".

**Sen. Wanzek:** Second.

**Rep. Klemin:** Discussion on the amendment?

**Rep. Boehning:** I like the five and five idea, but I think the chances of it passing the House are probably going to be slim. I think we've got to look at some angle that we haven't before. In the House, I think this is the only gaming bill that we passed and that increasing it to two days.

**Sen. Hacker:** Going to \$2,000 doesn't help everybody. I think we're seeing NDSU games, they are getting close to that point, if they're in the large venue they are in jeopardy of going over. We want to make sure that this doesn't cause a problem for these folks. If there's a number somewhere in the middle that might fit, I would be in favor of that, and starting off with this amendment I think is a good start.

**Rep. Klemin:** Well, Sen. Hacker, I don't want to spend a whole lot of time on conference committee on this bill personally. I think there are probably a lot of people who would have the sentiment that they really don't want to do something that's going to benefit a large football game venue to allow people to gamble as much as they want to. It's not the sentiment that's going to carry in the House. The way that I had proposed the \$2,000 and \$4,000, seemed to me that would take care of virtually all of them, but there may be some exception to that, but so what. We don't allow unlimited gaming now anyway. I guess I can't support five and five and I would agree with Rep. Boehning that increasing that daily cash prize from \$1,000 to \$5,000 is going to diminish the possibility of this bill passing. It may be the situation where we had the bill that passed the House on increasing the one occasion to two occasions. It may be a question of do you want that, or do you want to up the amount.

**Sen. Wanzek:** I think I might be the first to say that I probably share that feeling about expanding gambling. I personally do not want us expanding gambling. The thing that hit me in the committee hearing when we were discussing the bills, and we all know probably the most anti-gaming lobbyist in the legislature and he didn't seem to have a problem with this. I guess

that's where I'm coming from. This is going to be limited because of the size of the groups that will be participating. I guess I didn't hear a lot of opposition to this bill as it was transferred.

**Sen. Potter:** I wish I heard the House debate on this. This seems to be more of a matter of perception than reality. The fact is that currently, I can win \$25,000 in a raffle, by having it be something with merchandise that I then cash in. Now it's going to be twice a year, an organization can do it. The part that we're changing on the cash prizes is still lower than the amount that you can cash the merchandise in for. I can't see how this can be perceived as an expansion of gambling, but apparently it was. That's why I would have liked to hear the debate, to see if that came up. I don't want to come back to conference committee on this either. If there is a better number, I think this is too low. I think \$2 and \$4 are unnecessary if no one gets to have the game prize, as a single cash prize. So if 4 and 4 had a better chance of passing in the House, I withdraw my motion.

**Sen. Wanzek:** I withdraw my second.

**Sen. Potter:** I make a motion that we overstrike five in line 7, and insert four, and overstrike ten in line 8 and insert four.

**Sen. Hacker:** Second.

**Rep. Klemin:** I don't want to belabor the point but I guess we're just going to have to agree to disagree from my standpoint. I can't speak for the other Representatives. I don't think \$4,000 is any more likely to succeed in the House than \$5,000. But certainly I'm only one person on this conference committee. I'd rather see it at \$2,000 myself.

**Rep. Delmore:** I'm not so sure as I look at \$2,000 and \$4,000, that that really makes a difference and I think moving that second number from \$10,000 to \$4,000 is fairly significant.

Right now, we've got single cash prizes that are \$3,000 or there about. It's a raffle. I think we've taken a lot of things away, part of it because the voters approved the lottery. The people

have said that they do want some gaming in this state. I don't see, as people in the other Chamber have pointed out, a lot of people getting addicted to raffle tickets. I'm going to go with it. I'm going to support it.

**Rep. Klemin:** I don't see how this work with the 50/50 with \$4,000 and \$4,000, but...

**Rep. Boehning:** I guess I like the \$4,000 and \$4,000. I think it's a good compromise. I can live with that. I think that's something that we can bring to the House, we've lowered the daily prize from \$5,000 to \$4,000 and we've lowered the \$10,000 to \$4,000. I think there will only be one or two events that will probably even get close to that amount, of giving \$4,000 prizes away. We haven't changed it since 1989. Personally I like this. I know the Chairman probably doesn't care for the 4 and 4, but this is probably the only increase that we're going to have in gaming this year, as dollar wise. I'm thinking that if we can do this here, at least we probably won't be back for another 18 years or something like that or 19 years. This might satisfy them for another 10 years at least. I'm thinking that with inflation and everything, with \$4,000 in prizes at one game; they'll probably never sell that many. It takes a lot of action, if you're going to give \$4,000 as a prize, you have to sell 8,000 tickets. When they are coming through the doors, it's hard to catch 8,000 people to get this. If they would truly like to do it, they can work it hard, with the \$4,000 and \$4,000 I think it's a fairly good compromise. We've lowered it from \$10,000 to \$4,000, that's a \$6,000 compromise there. I would support the motion.

**Rep. Klemin:** We've been talking about these sporting events but basically this raffle applies to virtually any organization that wants to have that cash raffle, every day, any day for any reason, or no reason. I think that's probably where the majority of raffles are, not ones that take place at a football game.

**Rep. Boehning:** The local tavern back home, they can go there two or three nights in a row, they have a cash raffle and have gaming on the other side. I guess it's probably going to be a

\$50 or \$100 cash prize. I don't think I've ever seen one conducted on a gaming site. Probably the only place where I've seen them, is at the ball game or a fundraiser of some sort or a smoker type event. I don't know if they do them at BINGO parlors. I'm thinking this is a pretty limited event, and probably would only see it when they are doing a full, all out raffle for the State Fair, for a large organization that's going to do something. This is going to allow them to get \$4,000 in cash prizes. I think it's good for them to be able to get some money in there, they can give an unlimited amount of merchandise away. I think with this, organizations are probably going to be more apt to do this, since it will be easier for them to raise money and end up with money at the end of the raffle. I like the 4 and 4.

**Sen. Hacker:** No matter what we do with the numbers, I think we have to remember that these are raffles. If you are to do a raffle day in and day out, it's not a 50/50 raffle, or even if it is a 50/50 raffle, people who are trying to take advantage of the system, would have seen in front of the 3,000. A representative from the gaming associations have said no, there hasn't been anyone going more than one prize. I think it's just good to remind ourselves that raffles, on the list of all gaming, are the least addictive, and the reason is because you play once, and if you lose you lose, there's not another raffle right after that. That's not an addicting game. Raffles are kind of a one time deal.

**Rep. Klemin:** I guess I can visualize the raffles happening right alongside of the other types of gaming at the same time. I think it sounds like we are ready for the question.

**5 YES 1 NO 0 ABSENT**

**MOTION CARRIED TO CHANGE \$5,000 TO \$4,000 AND \$10,000 TO \$4,000.**

**Rep. Klemin:** Motion carried. We now need a motion. I think we can the Senate could recede and the bill be amended, or that the House could accede and further amended. I think what we're doing is amending a previous Senate amendment, so I'm wondering if the

appropriate motion wouldn't be that the House accede to the Senate amendments and let the bill be further amended.

**Rep. Delmore:** I move that the Senate recede from its amendments and adopt amendments as follows: on page 1, line 7, overstrike "one" and insert "four" and on page 1, line 8, overstrike "three" and insert "four".

**Sen. Hacker:** Second.

**5 YES 1 NO 0 ABSENT**

**SENATE RECEDE FROM SENATE AMENDMENT AND AMEND**

**REPORT OF CONFERENCE COMMITTEE  
(ACCEDE/RECEDE)**

Bill Number 1263 (, as (re)engrossed):

Date: 4-18-07

Your Conference Committee House Judiciary

**For the Senate:**

**For the House:**

<i>Present</i>	YES / NO		YES / NO		<i>Present</i>
✓					✓
✓					✓
✓					✓

recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from)

the (Senate/House) amendments on (SJ/HJ) page(s) \_\_\_\_\_ -- \_\_\_\_\_

\_\_\_\_\_, and place \_\_\_\_\_ on the Seventh order.

\_\_\_\_\_, adopt (further) amendments as follows, and place \_\_\_\_\_ on the Seventh order:

\_\_\_\_\_, having been unable to agree, recommends that the committee be discharged and a new committee be appointed.

((Re)Engrossed) \_\_\_\_\_ was placed on the Seventh order of business on the calendar.

DATE: \_\_\_\_\_

CARRIER: \_\_\_\_\_

LC NO.	of amendment
LC NO.	of engrossment
Emergency clause added or deleted	
Statement of purpose of amendment	

MOTION MADE BY: \_\_\_\_\_

SECONDED BY: \_\_\_\_\_

VOTE COUNT    \_\_\_ YES    \_\_\_ NO    \_\_\_ ABSENT

Revised 4/1/05

*No action taken!*

78270.0202  
Title.0400

Adopted by the Conference Committee  
April 19, 2007

VK  
4/19/07

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1263

That the Senate recede from its amendments as printed on page 1079 of the House Journal and page 853 of the Senate Journal and that Engrossed House Bill No. 1263 be amended as follows:

Page 1, line 7, overstrike "one" and insert immediately thereafter "four"

Page 1, line 8, overstrike "three" and insert immediately thereafter "four"

Renumber accordingly

**REPORT OF CONFERENCE COMMITTEE  
(ACCEDE/RECEDE)**

Bill Number 1263 (, as (re)engrossed): Date: 4-19-07

Your Conference Committee House Judiciary

**For the Senate:**

**For the House:**

	YES / NO			YES / NO	
<u>Sen. Hacker</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<u>Rep. Klemin</u>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<u>Wanzek</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<u>Boehning</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<u>Potter</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<u>Delmore</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from)

the (Senate/House) amendments on (SI/HJ) page(s) 1079 -- \_\_\_\_\_

\_\_\_\_\_, and place \_\_\_\_\_ on the Seventh order.

, adopt (further) amendments as follows, and place 1263 on the Seventh order:

\_\_\_\_\_, having been unable to agree, recommends that the committee be discharged and a new committee be appointed.

((Re)Engrossed) 1263 was placed on the Seventh order of business on the calendar.

DATE: 4/19/07

CARRIER: Rep. Boehning

LC NO. <u>78270.0202</u> of amendment
<u>.0400</u>
LC NO. _____ of engrossment
Emergency clause added or deleted
Statement of purpose of amendment

MOTION MADE BY: Rep. Delmore

SECONDED BY: Sen. Hacker

VOTE COUNT 5 YES 1 NO 0 ABSENT

**REPORT OF CONFERENCE COMMITTEE**

**HB 1263, as engrossed:** Your conference committee (Sens. Hacker, Wanzek, Potter and Reps. Klemin, Boehning, Delmore) recommends that the **SENATE RECEDE** from the Senate amendments on HJ page 1079, adopt amendments as follows, and place HB 1263 on the Seventh order:

That the Senate recede from its amendments as printed on page 1079 of the House Journal and page 853 of the Senate Journal and that Engrossed House Bill No. 1263 be amended as follows:

Page 1, line 7, overstrike "one" and insert immediately thereafter "four"

Page 1, line 8, overstrike "three" and insert immediately thereafter "four"

Renumber accordingly

Engrossed HB 1263 was placed on the Seventh order of business on the calendar.

2007 TESTIMONY

HB 1263

**Testimony in Support of  
HOUSE BILL NO. 1263  
House Judiciary Committee  
January 29, 2007**

Chairman DeKrey, House Judiciary Committee members, my name is Todd D. Kranda. I am an attorney with the Kelsch Law Firm in Mandan and I appear before you today as a lobbyist on behalf of the Charitable Gaming Association of North Dakota (CGAND) to express support for HB 1263.

CGAND is a statewide association of charitable gaming organizations. CGAND has a diverse membership varying from clubs to small organizations in all regions of the state and represents about 70% of the charitable gaming in North Dakota. The mission of CGAND is to "Preserve gaming as a funding source for charitable purposes."

The change basically allows a licensed gaming organizations to treat cash prizes the same as merchandise prizes are handled. There are others here today to testify on HB 1263 who are more familiar with the proposed change and they will go over the specific change contained within HB 1263 and the effect of the change for the play of raffles.

On behalf of CGAND I ask for your favorable consideration of this legislation and in doing so, I also ask for your support of the local charities that would benefit from this legislation.

Accordingly, I would urge a DO PASS recommendation for HB 1263.

## TESTIMONY IN FAVOR OF HOUSE BILL 1263

My name is Rick Stenseth and I am a part of the Legislative Committee representing the Charitable Gaming Association of North Dakota. I am also a gaming manager that conducts and participates in raffles. CGAND supports HB1263.

Raffles are a very popular type of gaming in our state. They are relatively easy to operate and most everyone is familiar with them. HB1263 addresses a couple of difficulties organizations face when conducting the games.

This bill removes a restriction that does not allow a licensed organization to exchange a merchandise prize for cash at the request of the winning player more than one time per year.

The amended language keeps the prize value limitation in place, but would allow an organization to make the requested exchange for more than one raffle each year.

HB1263 removes cash prize limits for organizations that hold a state gaming license.

Current rule allows merchandize prizes with no limitations, but cash prizes are limited to \$1,000 each and 3 of those per day.

New language maintains that limitation for organizations that operate raffles under a local permit, but removes it for those who are licensed by the Attorney Generals office.

These proposed changes will make raffles even more functional and profitable for organizations.

CGAND asks for your support and favorable vote on HB1263.

Thank you for your time and consideration.

House Bill No. 1263  
History of Raffle Law Changes  
January 29, 2007

*Same to  
given to  
Senate.*

Prepared by the Office  
of Attorney General

**1977**

Raffles first legalized as a charitable game type for eligible organizations.

**1983**

Merchandise prizes for raffles restricted to any property which may be legally owned and possessed, but not real estate. Single cash prize limit for a raffle restricted to \$500 with an aggregate of no more than \$500 in total cash prizes awarded during any day.

**1989**

Single cash prize limit increased to \$1,000 per day and the daily cash prize aggregate for raffles was increased to \$3,000.

**2005**

A provision was added allowing a licensed organization on not more than one occasion per year, at the request of the winning player, to exchange a merchandise prize valued at not more than \$25,000 for a cash prize.

**Testimony in Support of**  
**ENGROSSED HOUSE BILL NO. 1263**  
**Senate Industry Business & Labor Committee**  
**March 13, 2007**

Chairman Klein, Senate Industry Business & Labor Committee members, my name is Todd D. Kranda. I am an attorney with the Kelsch Law Firm in Mandan and I appear before you today as a lobbyist on behalf of the Charitable Gaming Association of North Dakota (CGAND) to express support for Engrossed HB 1263 regarding raffles.

CGAND is a statewide association of charitable gaming organizations. CGAND has a diverse membership varying from clubs to small organizations in all regions of the state and represents about 70% of the charitable gaming in North Dakota. The mission of CGAND is to "Preserve gaming as a funding source for charitable purposes."

As a result of changes that were made to HB 1263 the original purpose of this legislation was inadvertently lost. Accordingly, I have attached a Proposed Amendment for Engrossed HB 1263 which modifies the current version to resume the original intent to allow a licensed gaming organizations to conduct 50/50 raffles without the single cash prize limitation of \$1,000 while leaving the limitation for all other forms of raffles. There are others here today to testify on HB 1263 who are more familiar with the proposed change and they will go over the specific change contained within HB 1263 with the proposed amendment and the effect of the change for the play of 50/50 raffles.

On behalf of CGAND I ask for your favorable consideration of this legislation with the amendment and your support of the local charities that would benefit from this legislation. Accordingly, I would urge a DO PASS recommendation for HB 1263.

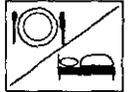
#2  
1263



## ND's Restaurant, Lodging & Beverage Association



P.O. Box 428 • Bismarck, ND 58502 • Phone: 701-223-3313 • Fax: 701-223-0215  
E-mail: ndha@btinet.net • www.ndhospitality.com



Industry, Business and Labor Committee  
North Dakota Senate  
March 13, 2007

### HB 1263 (Gaming—table rent increase)

Chairman Klein and members of the IBL Committee, my name is Robert Harms and I a lobbyist of the North Dakota Hospitality Association. We have 350 members in North Dakota who are engaged in the hospitality industry. We support HB 1263 and would like to offer an amendment.

The amendment would authorize a modest increase in gaming table rent of twenty-five dollars that provide as follows:

For gaming sites where bingo is not the primary game:

- a.) If paddle wheels or twenty-one is conducted: \$200 up to \$225 per table per month
- b.) If twenty-one is conducted, then \$100 up to \$125 per table per month.
- c.) If pull tabs using jar bars or dispensing devices (not both) then \$175 up to \$200; if both are used then rent could go from \$200 to \$250 per month
- d.) If twenty-one and paddlewheels are not conducted, but pull tabs is conducted:
  - i.) jar bars or machines, but not both: then \$275 up to \$300
  - ii) if both jar bars and machines, then \$300 up to \$350

#3  
1263

The last time the Legislature authorized an increase in gaming rents was in 2001 in HB 1306 which authorized \$100 rent for black jack tables. We believe the proposed amendment authorizes modest increases for the owners where gaming activities are conducted in North Dakota. For these reasons, Mr. Chairman and members of the Committee we request your adoption of the amendment and a DO PASS recommendation for HB 1263.

#3  
1263