

2009 SENATE JUDICIARY

SCR 4028

# 2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SCR 4028

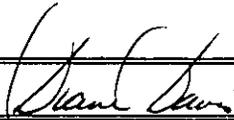
Senate Judiciary Committee

Check here for Conference Committee

Hearing Date: 3/2/09

Recorder Job Number: 9943

Committee Clerk Signature



Minutes: **Senator Nething, Chairman**

**To study the charitable gaming laws.**

**Senator Tony Grindberg** – District 41 – Introduces the bill.

**Todd Kranda** – Lobbist for Charitable Gambling of ND – Says they would be happy to work with an interim committee. Said there are a lot of things affecting this struggling industry.

**Senator Nething** distributes a letter that came to him from Joe Richardson, Gaming Studio, Inc.

In support of this bill.

**Senator Fiebiger** motions for a do pass

**Senator Olafson** seconds

Vote – 6-0

**Senator Fiebiger** will carry



**REPORT OF STANDING COMMITTEE**

**SCR 4028: Judiciary Committee (Sen. Nething, Chairman) recommends DO PASS**  
(6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SCR 4028 was placed on the  
Eleventh order on the calendar.

2009 HOUSE JUDICIARY

SCR 4028

## 2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SCR 4028

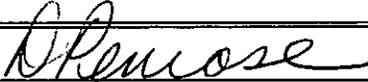
House Judiciary Committee

Check here for Conference Committee

Hearing Date: 3/17/09

Recorder Job Number: 11094, 11100

Committee Clerk Signature



Minutes:

**Chairman DeKrey:** We will open the hearing on SCR 4028.

**Todd Kranda, Charitable Gaming Association of ND:** Support (attachment). Explained the bill. We are in support of SCR 4028. Background information on who CGAND is, we're a statewide organization of charitable community operators. The first membership of charitable organizations in the state. We represent about 70% of the charitable community activities in ND. CGAND is committed to be a funding source for charitable purposes. I handed out a CGAND membership list. It shows the types of organizations that are members of our association. I know at least in the Senate, and Sen. Grindberg, presented this resolution, he had provisions drawn up particularly, there has been a decline of activity in the gaming operations. There are a number of factors that relate to that. As was indicated in the study itself, it said that there hasn't been any comprehensive review of the laws since 1993-94. There have been a lot of changes: we have the lottery, a number of Native American casinos that are still operating and with all those changes, the employment issues, the economy right now. We think it is a good atmosphere to take a look at charitable gaming laws. One of the main areas that we looked at as being very positive and something that would be easier for organizations to deal with are the tax forms. Every time there is a tax change, the form gets a

little more and more complicated, we don't have a reporting short form available. That certainly would be an area where improvement could be put into place without a lot of money being spent on bookkeeping, keeping appropriate records. The rest of the areas need a review as well, including operations, conduct, limitation with enforcements, etc. We think there are some opportunities for streamlining at least the tax forms, regulations, and improvements to the charitable gaming laws. We would ask for your support.

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

**Sen. Tony Grindberg:** Sponsor, support.

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

**Joe Richardson, CEO of Gaming Studio, Inc., Fargo, ND:** Support (attachment).

**Rep. Koppelman:** You mentioned in your letter that you emailed us something about your products fitting the parameters of some new MN legislation. I can't remember the details of that. But then you talk about that forcing you to manufacture in MN. Can you touch on that.

**Joe Richardson:** There are seven bills in the Minnesota Legislature which deal with electronic games, etc. through the lottery in interesting relationships between the lottery and the charity gaming. If those actually make their way through the Legislature, and it's probably only a matter of time now, if it's not this year, maybe next year, or the year after. We have patents that really fit what they are looking for. The onus would be on us to place our manufacturing in MN if MN is our only market. I'm a loyal North Dakotan. I would love to see more manufacturing in ND, but if our customer is not ND, and only MN, then politically the onus is on us to say we'll manufacture what you'll consume in your state. So that puts us in a difficult position.

**Rep. Koppelman:** You're talking about the importance of growing your industry in ND and being able to export your product, and then you're saying but if other states are consuming my

product, maybe I'll move my manufacturing there. Earlier you said that we were consuming a lot of this in ND, but we are getting them from out-of-state. So apparently we haven't had the same political clout that you allege MN would. I'm not quite seeing the rest of the pieces fit.

**Joe Richardson:** It's a matter of volume. ND, although a leading state in its regulatory structure of charitable gaming, its volume is much less than that of MN. If ND were a lively market for the same general types of games that were used in MN, then at least we would have a leg to stand on, to say "folks there's more than one market, you're not the only guy out there". We have greater production costs over in the MN market, but still stay in ND. I expect that we're going to see throughout the country, charitable gaming evolve from a paper based product to electronic. It is a real opportunity for us, nationally it's great for us to say we are regulated by ND charitable gaming because regulation in ND is well respected. MN thinks we are very good at regulating too, and they are very well respected as well.

**Ch. DeKrey:** Thank you. Further testimony in support of SCR 4028.

**Rep. Koppelman:** I have a question for Todd Kranda. I don't see any real harm in the resolution. I'm curious about one point. As I think back over history, and I wasn't here when charitable gaming was authorized in ND, but I have seen lots of changes and permutations over the years. It seems to me that years ago, when we looked back at the State Constitution that was in effect there was a real bent against gambling. I'm told that gambling is bad and gaming is good. So the State, several years ago, said that we're going to allow these types of gambling that we've never had before, as long as it's for charitable purposes. That's kind of where charitable gaming was born. Now, we hear that our charities can't raise enough money or they aren't getting enough money, or they could do so much more good if they had more and here's the way to do it. So it grew and flourished and changed and profited over the years. Then the whole gaming idea quit growing and you mentioned the reservations came

onto the scene. The state legalized the lottery through a vote of the people. All of a sudden, since I've seen those things occurred, I have seen what you're talking about; the diminishing of charitable gaming resources, what the original idea was. So what I've seen happen is exactly what you're talking about in the resolution. The industry coming in and saying, gee lower our taxes, or increase our numbers so that we can get more and more. Everyone wants a bigger piece of the pie. We need to entice more people to gamble so that we earn more money for our charities. Either way I'm wondering if this is what the study is for; is this an exercise in futility or do you get to the point where the stakes continue to get higher and higher ad infinitum because more people gamble. What do you see.

**Todd Kranda:** I think the study is a good idea, I think it addresses some of those questions, about whether there's a solution or not that's acceptable. We have seen decreased revenues in our operations and we're on a very thin margin and with those decreased revenues, the major support has given the state tax revenue, almost 50% of what we have. I think the numbers that I saw when we were promoting the tax measure, was that more in taxes was being made in the state than are being used for charitable purposes. We're on a thin margin, with the economy the way it is, all of these charitable services and purposes, and charities are operating more, are declining and needing more. We are unable to meet all those needs and services. I have a handout that I provided to the Tax Committee when we were promoting the tax interests and going through the session and I certainly can provide copies to your committee for you to see the types of charities that are promoted and benefited. But those others are down. I don't think that there are, certainly there are organizations within our association that have said we need some relief, things are causing us wage increases, the insurance increases for the employees, this industry employs a lot of people, very labor intensive industry. I think there must be ways of cutting back a little bit to reduce overhead. If

we are able to reduce the costs of running the games, we will have more funds to put into the charities. We're open to suggestions during the Interim, and provide for legislative committee under the study and something comes of it, great; if not, we will take a look, take a stab at it and try to salvage some of the operations in light of all the changes that occurred since 1993-94 income. This is a great opportunity to take a look at what changes have occurred and if there is a solution that could increase our efforts.

**Chairman DeKrey:** Thank you. We will close the hearing.

**(Reopened later in the session.)**

**Chairman DeKrey:** We will take a look at SCR 4028. What are the committee's wishes.

**Rep. Koppelman:** I move that we amend on page 1, line 16, insert "consider studying" rather than study.

**Rep. Wolf:** Second.

**Chairman DeKrey:** Voice vote, motion carried. (Legislative Council said this amendment wasn't necessary and so it was not added to the bill).

**Rep. Delmore:** I move a Do Pass as amended (but was never amended).

**Rep. Wolf:** Second.

**13 YES 0 NO 0 ABSENT DO PASS/CONSENT CALENDAR CARRIER: Rep. Delmore**

Date: 3/17/09

Roll Call Vote #: 1

**2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES**

**BILL/RESOLUTION NO. SCR 4028**

**HOUSE JUDICIARY COMMITTEE**

Check here for Conference Committee      LC Amendment # \_\_\_\_\_

Action:     DP       DP / As Amended       & Rerefer to Approp.  
               DNP       DNP / As Amended

Motion Made By Rep. Delmore      Seconded By Rep. Wolf

Representatives	Yes	No	Representatives	Yes	No
Ch. DeKrey	/		Rep. Delmore	/	
Rep. Klemin	/		Rep. Griffin	/	
Rep. Boehning	/		Rep. Vig	/	
Rep. Dahl	/		Rep. Wolf	/	
Rep. Hatlestad	/		Rep. Zaiser	/	
Rep. Kingsbury	/				
Rep. Koppelman	/				
Rep. Kretschmar	/				

Total (Yes) 13      (No) 0      (Absent) 0

Floor Carrier: Rep. Delmore

Vote is amendment, briefly indicate intent:

*Placed on Consent Calendar*

**REPORT OF STANDING COMMITTEE**

**SCR 4028: Judiciary Committee (Rep. DeKrey, Chairman) recommends DO PASS and BE PLACED ON THE CONSENT CALENDAR (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SCR 4028 was placed on the Tenth order on the calendar.**

2009 TESTIMONY

SCR 4028

Attachment 1  
SCR 4028

# Gaming Studio, Inc.

Post Office Box 3112, Fargo, North Dakota 58108  
701-239-4848; Fax 701-232-4544; [joe.fargo@aol.com](mailto:joe.fargo@aol.com)  
Joe Richardson, President and Chief Designer



February 22, 2009

Testimony: SCR4028

Senator Dave Nething, Chairman  
North Dakota Senate Judiciary Committee  
% Legislative Council  
State Capitol  
600 East Boulevard  
Bismarck, North Dakota 58505-0360

Dear Chairman Nething and Members of the Committee:

I would have enjoyed testifying in person, however, due to previous commitments I am out of the country until March 6<sup>th</sup>.

The Gaming Studio is a North Dakota corporation and owner of gaming related patents, trademarks and copyrights. It might be interesting to know that literally hundreds of Gaming Studio gaming wheels, including the Minnesota Tri-Wheel®, the Pig Wheel™ and Mini-30™ wheel have been produced in North Dakota for export. Additionally, up until the last couple of months millions of dollars of tickets related to the Minnesota charitable operation of the Tri-Wheel and Mini-30 wheel were printed in North Dakota. Through our North Dakota licensees, I believe no other North Dakota company has been as engaged in exporting regulated wagering equipment and supply.

When North Dakota enacted an unusual and creative form of charitable gaming back in 1977, it led the nation. It is no wonder that it was soon followed by our early regulatory leaders forming the now highly respected North American Gaming Regulatory Association. Yet, we have not yet leveraged that public policy creativity into a commensurate industrial benefit.

Charitable gambling is better than an \$8 billion (gross wager/sales) business nationally with approximately forty-five states having some form of charitable gaming, mostly bingo, and twenty states having dedicated centralized state reporting/regulatory agencies. Nationally, states that report activity by game type, showed a reliance on bingo and pulltabs for over 83% of charitable gross gaming proceeds.<sup>1</sup> Bingo, incidentally, was less than half the amount of pulltabs. In North

<sup>1</sup> 2007 Annual Report of National Association of Fund-Raising Ticket Manufacturers, total from states less Ohio and New Mexico as two states not breaking their numbers down.



Dakota for CY2007, Bingo and Pulltabs accounted for two-thirds the reported gross proceeds.<sup>2</sup> Bingo in ND accounted for less than 25% the amount brought in by pulltabs.

In the context of major games played in all sectors of regulated gaming, none have a higher cost per chance delivered and few are more difficult to accurately audit than pulltabs. The cost of operating pulltabs far exceeds the cost of importing the printed paper ticket. The cost in tracking a "deal" of pulltabs from manufacturer into a licensed distributor warehouse and then out to a licensed organization's central storage and then out to individual sites for play are compounded by the need to hand-count the value of the winning tickets redeemed and the tickets remaining at the end of a quarter. Then, the unsold tickets along with the cancelled winning tickets redeemed are placed in storage for a number of years while the losing played tickets are placed in a landfill. All of this for a second or two of play.

No form of gaming provides a more direct benefit to the communities in which it is conducted. Charitable gaming is ultimately under the supervision of nonprofit organization board's of directors. The board members are, by nature, dedicated community spirited volunteers. From a public policy perspective, we have statutorily required that nonprofit organizations, overseen by community spirited volunteers, conduct the most expensive and least accountable, least secure, games when compared to those operated in the competing tribal casino and lottery markets. The energy intensity of paper-based chances assures us that the cost of each such chance brought into our state will continue to rise rather quickly in the future.

### **Problem = Opportunity**

There is no charitable gaming jurisdiction known to us that allows for new game types to be introduced short of statutory authorization. Thus, there has been relatively little in terms of new game development. There has been some technological tweaks to bingo and attempts to shoe-horn various innovations into existing definitions for games; however, those attempts are, from a business perspective, very risky - too risky for financing by mainstream banks or even venture capitalists. It is easier to design new games for the commercial casino market where provisional game authority allows for the methodical testing and measured game rollout. Yet, it is not politically palatable to have charitable gaming adopt the appearance of commercial gaming. Charitable gaming operates at a more neighborhood level than casinos and this brings a certain variance in values, including sensitivity toward problems.

Charitable gaming is being strangled by the rising costs of operating historic games and product fatigue at the same time that competitive venues deploy less expensive chances that can be economically delivered with a higher payback and/or higher prizes to players. Put another way, charitable gaming is entertainment and the value of that entertainment is eroding with stale and high-cost products. Products that are also, incidentally, relatively expensive and slow to monitor by regulatory authorities.

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<sup>2</sup> North Dakota Gaming Update, June 2008, Analysis of Gaming Activity - 2007, ND Attorney General.



North Dakota could leverage its well respected charitable gaming program to become the national leader in new charitable game development. The best next-generation charitable games are not those now operated in casinos. We would say that they may already be designed, but lack a path to market.

Providing a process through which new charitable games can be methodically tested including live phased rollouts could catalyze a remarkable growth in export manufacturing. Some of you may remember what happened to a little Bozeman, Montana company that convinced the South Dakota Lottery in the late 1980s that video pokers, when tied together to be controlled by a state central computer, were actually "video lottery terminals?" The company, Video Lottery Technologies quickly exploded into selling tens of millions of dollars worth of video pokers throughout North America and beyond. It was a small company working in a small state and launching a product that was actually more creatively packaged than it was a new game. We know that charitable gaming, as we know it, will either whither away or become revitalized with new product. We see the beginnings of that process in Minnesota with over five bills that would have the lottery working with charities in introducing a not-so-narrowly defined electronic game.

The Gaming Studio has patents and proprietary games that would fit within the broad definitions of the new Minnesota legislation. We are of course preparing for possibilities in Minnesota and unfortunately that preparation means that we may cause the product to be manufactured in Minnesota given that, at this very moment, there is no chance of finding a market in North Dakota.

If SCR 4028 would pass, it would demonstrate at least some interest in reviewing North Dakota's charitable gaming program. We can be entrepreneurial and look for how we can better realize a return on an activity we pioneered and perfected or we can wait to see what next we will import for use in our gaming programs. I am hoping that SCR 4028 might actually help lead to our innovating our way into leading a new wave of innovation in charitable gaming. The Gaming Studio would like to compete for a market at home rather than look entirely to building elsewhere something we might later import back home. As the ad says, "let's build something [we can export] together."

Thank you for your consideration,

Joe Richardson, CEO

# Charitable Gaming Association of North Dakota Membership List

Organization Name	Last Name	First	Address	City	State	Postal	e-mail address	Phone
American Legion	Twete	Curtis	116 E. McDougall	McVile	ND	58254		
Amvets Post 9	Wagner	Vicki	2402 Railroad Ave	Bismarck	ND	58501-	amvetspost9@aol	258-8324
* Arrow International	Nagel	Kirsten	9900 Clinton Rd	Cleveland	OH	44144-	knagel@arrowinternational.com	
Arthur W. Jones Dist 7564	Nesland	Terry	308 Shyenne St	West Fargo	ND	58078-		
Bartlette Resler Post #62	Anderson	Dale	PO Box 244	Wahalla	ND	58282-	none	549-3370--549-3412
Bison Booster Club of Milnor, ND	Knutson	Marvin	PO Box 385	Milnor	ND	58060-0385	mrkjrk61@drtel.net	427-9481--427-9248
* Borchert Distributing	Borchert	Jim	811 8th Ave N	Fargo	ND	58102-3616	borchertdist.a@sbeglobal.net	701-799-8401
Bowman County Development Corp	Bucholz	Debra	PO Box 1143	Bowman	ND	58623-	bowcodev@ndsupernet.com	523-5880--523-5611
Buffalo Community Club Gaming	Kasowski	Flint	PO Box 23	Buffalo	ND	58011-	none	633-5121
Development Homes	Odegaard	Kara	3880 S Columbia Rd	Grand Forks	ND	58201-	kodegaard@developmenthomes.org	335-4000--741-6112
Devils Lake Youth Activities	Kushel	Gloria	PO Box 584	Devils Lake	ND	58301-	gkushel58301@ymhoo.com	
Dickinson Charities	Klemm	Carol	67 21st St E	Dickinson	ND	58601-	charities@ndsupernet.com	483-1562
Drayton Curling Club	Olson	Ardis	PO Box 252	Drayton	ND	58225-	ardis@polarcomm.com	454-6433
Fargo VFW	Rusch	Allen	202 Broadway	Fargo	ND	58102-	allenusch@hotmail.com	
Fargo Youth Commission	Kuenehan	Rob	2500 18th St S	Fargo	ND	58103-	rob@youthcommission.com	235-2147
Fraternal Order of Eagles- Aerie 62749	Keys	Peri	PO Box 875	Wahpeton	ND	58074-0875	mgrmfar@wah.midco.net	642-2414
Friends of the Neche Firemen	Douville	Jackie	PO Box 207	Neche	ND	58265-	tinanorth@polarcomm.com	886-7533--886-7611
Fl Ransom Rural Fire Dist. Support Corp.	Ose	Traci	PO Box 785	Lisbon	ND	58054-		973-4521--683-5538
Grafton Curling Club	Deutscher	Corey	2339 S 17th St #17	Grand Forks	ND	58201-	cfdeutscher@gra.midco.net	

Kranda  
Attachment

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Organization Name	Last Name	First	Address	City	State	Postal	e-mail address	Phone
Grand Forks Blue Line Club	Weber	Sharon	2525 S Washington	Grand Forks	ND	58201-	none	775-6174
Grand Forks CVB	Rygg	Julie	4251 Gateway Dr	Grand Forks	ND	58203-	julie@visitgrandforks.com	746-0444
Greater GF Senior Citizens	Vorland	Betty Lou	620 4th Ave S	Grand Forks	ND	58201-	none	772-7245
Harley Salzman Post #5	Heckaman	Tom	Box 543	Beach	ND	58621-	hpeterson@midstate.net	701-872-3716
Harwood Area Fire & Rescue	Spiesz	Jennifer	39 Lind Circle	Harwood	ND	58042		
Horace Lions Club	Rustad	Roger	319 Mickey Mouse Ave	Horace	ND	58047-	none	281-0792--282-0700
Lake Region Corporation	Eickenbrock	Sharon	224 3rd St NW	Devils Lake	ND	58301-	edavidson@lakeregioncorp.com	
Lake Region Heritage Center	Homer	Dick	PO Box 245	Devils Lake	ND	58301-	none	662-3701--351-2500
*Lien Games	Lien	Ken	PO Box 564	Fargo	ND	58107-	liengames@aol.com	1-800-342-7755
Listen Inc.	Steffan	Rusty	1407 24th Ave S #100	Grand Forks	ND	58201-	rusty@firstcollections.com	746-7840--775-5166
Minot Junior Golf	Fotz	Jim	1344 S Main	Minot	ND	58701-	weelinks@srt.com	839-1337--720-6566
Minot Catholic Schools Corp.	Hatlelid	James	316 11th Ave NW	Minot	ND	58703-	hatlelid@brha.com	838-3355--838-3377
Minot Hockey Boosters	Kelly	Mike	1524 S Broadway Ste 3	Minot	ND	58701-	mikekly@srt.com	839-9592--721-1958
*Mr. Eds Bingo	Borowicz	Shelly	PO Box 848	Fargo	ND	58107-	shelly@mreds.net,kristi@mreds.net	1-800-828-1319
ND Hospitality Education Foundation	Weissman	Nicollette	PO Box 428	Bismarck	ND	58502-	nicki.ndha@btinet.net	223-3313
North Dakota Assoc. Disabled	LaDouceur	Traci	2660 S Columbia Rd	Grand Forks	ND	58201-	tladouceur@ndad.org	775-5577
New Rockford Lions Club	Kanzelman	Darwyn		New Rockford	ND	58356-		
North Dakota Buffalo Assn	Steffan	Jodi	500 17th St SE	Jamestown	ND	58401-	director@buffalomuseum.com	252-8648--320-6242
Northern Prairie Performing Arts	Stenseth	Rick	333 4th St S	Fargo	ND	58102-	rds9130@cableone.net	235-1901--241-9130
Owald Wohl Post #6831 V.F.W.	Stotz	Elroy	PO Box 68	Anamoose	ND	58710-	none	465-3326--465-3060
Plains Art Museum	Breiner	Karen	PO Box 2338	Fargo	ND	58108-	kbreiner@plainsart.org	232-3821--232-2019
Prairie Public Broadcasting	Haugen	Karen	PO Box 3240	Fargo	ND	58108-	khaugen@prairiepublic.org	241-6900

Organization Name	Last Name	First	Address	City	State	Postal	e-mail address	Phone
Red River Human Service Foundation	Lenertz	Lorissa	2506 35th Ave S	Fargo	ND	58103-	llenertz@rrhsr.org	
Share House Inc.	Madsen	Donna	4227 9th Ave SW	Fargo	ND	58103-		282-6561
Special Olympics ND	Meagher	Kathy	2616 S 26th St	Grand Forks	ND	58201-	gfindso@corpcomm.net	
St. Thomas Booster Club	Olson	Ardis	PO Box 66	Drayton	ND	58225-	ardis@polarcomm.com	454-6433
*Statewide Gaming	Slivicki	Robert	630 S 15th St	Grand Forks	ND	58201-	bbrooks157@yahoo.com	1-800-732-1090
Team Makers	Stenseth	Rick	2220 E Main Ave, Suite S	West Fargo	ND	58078-	Teammakers@linkup.net	277-9271--306-2224
The Arc, Upper Valley	Vaagen	Deb	2500 DeMers Ave	Grand Forks	ND	58201-	dsheppard@arcuv.com.debv@cable one.net	772-6191--261-2741
*Universal Manufacturing	Wilner	Joe	5450 Deramus Ave	Kansas City	MO	64120-	universal@jaredo.com	816-231-2771
Velva Fire Dept.	Jungers	Rose	P.O. Box 139	Velva	ND	58790		
West Fargo Hockey	Madsen	Steve	5154 9th Ave SW	Fargo	ND	58103-	matblaster@yahoo.com	281-4791--388-8788
*Western Distributing			PO Box 832	Bismarck	ND	58502-		
Williston CVB	Attizu	Jeff	10 Main St	Williston	ND	58801-	CVBsales@C1.williston.nd.us	
Williston State College Foundation	Stevens	Garvin	PO Box 1204	Williston	ND	58801-	wscfoundation@nemont.net	572-1472

\*Distributors and Manufacturers

## Gaming Studio, Inc.

Post Office Box 3112, Fargo, North Dakota 58108  
701-239-4848; Fax 701-232-4544; [joefargo@aol.com](mailto:joefargo@aol.com)  
Joe Richardson, President and Chief Designer



March 16, 2009

Testimony: SCR4028

Representative DeKrey, Chairman  
Members of the Committee  
North Dakota House Judiciary Committee  
% Legislative Council  
State Capitol  
600 East Boulevard  
Bismarck, North Dakota 58505-0360

Dear Chairman and Members of the House Judiciary Committee:

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#### **Problem = Opportunity**

There is no charitable gaming jurisdiction known to us that allows for new game types to be introduced short of statutory authorization. Thus, there has been relatively little in terms of new game development. There has been some technological tweaks to bingo and attempts to shoe-horn various innovations into existing definitions for games; however, those attempts are, from a business perspective, very risky ~ too risky for financing by mainstream banks or even venture capitalists. It is easier to design new games for the commercial casino market where provisional game authority allows for the methodical testing and measured game rollout. Yet, it is not politically palatable to have charitable gaming adopt the appearance of commercial gaming. Charitable gaming operates at a more neighborhood level than casinos and this brings a certain variance in values, including sensitivity toward problems.

Charitable gaming is being strangled by the rising costs of operating historic games and product fatigue at the same time that competitive venues deploy less expensive chances that can be economically delivered with a higher payback and/or higher prizes to players. Put another way, charitable gaming is entertainment and the value of that entertainment is eroding with stale and high-cost products. Products that are also, incidentally, relatively expensive and slow to monitor by regulatory authorities.

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<sup>2</sup> North Dakota Gaming Update, June 2008, Analysis of Gaming Activity - 2007, ND Attorney General.



North Dakota could leverage its well respected charitable gaming program to become the national leader in new charitable game development. The best next-generation charitable games are not those now operated in casinos. We would say that they may already be designed, but lack a path to market.

Providing a process through which new charitable games can be methodically tested including live phased rollouts could catalyze a remarkable growth in export manufacturing. Some of you may remember what happened to a little Bozeman, Montana company that convinced the South Dakota Lottery in the late 1980s that video pokers, when tied together to be controlled by a state central computer, were actually "video lottery terminals!" The company, Video Lottery Technologies quickly exploded into selling tens of millions of dollars worth of video pokers throughout North America and beyond. It was a small company working in a small state and launching a product that was actually more creatively packaged than it was a new game. We know that charitable gaming, as we know it, will either wither away or become revitalized with new product. We see the beginnings of that process in Minnesota with over five bills that would have the lottery working with charities in introducing a not-so-narrowly defined electronic game.

The Gaming Studio has patents and proprietary games that would fit within the broad definitions of the new Minnesota legislation. We are of course preparing for possibilities in Minnesota and unfortunately that preparation means that we may cause the product to be manufactured in Minnesota given that, at this very moment, there is no chance of finding a market in North Dakota.

If SCR 4028 would pass, it would demonstrate at least some interest in reviewing North Dakota's charitable gaming program. We can be entrepreneurial and look for how we can better realize a return on an activity we pioneered and perfected or we can wait to see what next we will import for use in our gaming programs. I am hoping that SCR 4028 might actually help lead to our innovating our way into leading a new wave of innovation in charitable gaming. The Gaming Studio would like to compete for a market at home rather than look entirely to building elsewhere something we might later import back home. As the ad says, "let's build something [we can export] together."

Thank you for your consideration,

Joe Richardson, CEO