

FISCAL NOTE
Requested by Legislative Council
03/13/2015

Amendment to: SB 2314

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$20,333		\$17,150	
Appropriations			\$20,333		\$17,150	

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This bill allows only collegiate athletics to conduct 50/50 raffles using a random number generator.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The random number generator system will need to be audited/reviewed on a regular basis to ensure the integrity of the system is maintained.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

N/A

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

As amended, the 2015-17 biennium estimated general fund costs to ensure the integrity of the system is maintained total \$20,333. The estimated 2017-19 biennium costs total \$17,150 from the general fund.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

An appropriation of \$20,333 from the general fund can be added to this bill or to the Office of Attorney General's appropriation bill, Senate Bill No. 2003.

Name: Kathy Roll

Agency: Office of Attorney General

Telephone: 701-328-3622

Date Prepared: 03/16/2015

FISCAL NOTE
Requested by Legislative Council
02/03/2015

Amendment to: SB 2314

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$230,554		\$238,246	
Appropriations			\$230,554		\$238,246	

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This bill allows 50/50 raffles to utilize random number generators rather than issuing tickets, then the winning ticket number is generated by the raffle system rather than drawn by hand.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

For 50/50 raffles, the winner of the raffle receives 50% of the total gross proceeds and the remainder is kept by the charitable organization to donate to the institution. Section 1 provides for the use of random number generators in drawing the winning ticket virtually for a 50/50 raffle. Fifty-fifty raffles are most often played at colleges and universities. There are about 15 higher education institutions using 50/50 raffles to raise money for their teams. These raffles can be played at every higher education team's home games.

Higher education institutions participating in 50/50 raffles use a system to issue ticket numbers to event attendees. The random number generator is an option on the system. A computer chip to be installed into the hardware used to issue the tickets will be tested by an independent gaming laboratory. An additional Gaming auditor will need to test this computer chip in every entities' hardware on a quarterly basis to assure it maintains its original integrity from the independent laboratory testing. When higher education institutions rent their hardware and system to others, the auditor will need to verify the integrity of the computer chip before it is used.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

N/A

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

An additional Gaming auditor is needed to perform the audits needed on the hardware and software system to assure the computer chip in it maintains its original integrity verified when it was tested by an independent gaming laboratory. This will result in significant travel to the institutions using this process to generate the winning ticket. The estimated expenditures for the 2015-17 biennium total \$230,554, funded from the general fund. For the 2017-19 biennium estimated expenditures total \$238,246 from the general fund.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

The Executive Recommendation was unable to anticipate the impact of this bill; the appropriation and 1 auditor position will need to be added to Senate Bill No. 2003, the Office of Attorney General's appropriation bill or be added to this bill.

Name: Kathy Roll

Agency: Office of Attorney General

Telephone: 701-328-3622

Date Prepared: 02/03/2015

FISCAL NOTE
Requested by Legislative Council
02/03/2015

Bill/Resolution No.: SB 2314

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Name: Kathy Roll

Agency: Office of Attorney General

Telephone: 701-328-3622

Date Prepared: 02/03/2015

2015 SENATE GOVERNMENT AND VETERANS AFFAIRS

SB 2314

2015 SENATE STANDING COMMITTEE MINUTES

Government and Veterans Affairs Committee
Missouri River Room, State Capitol

SB 2314
2/5/2015
Job # 23338

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to amend and reenact section 53-06.1-10.1 of the North Dakota Century Code, relating to conducting raffles using a random number generator.

Minutes:

Attachments 1

Chairman Dever: Opened the hearing on SB 2314.

Senator Flakoll, District 44: Testified as a sponsor and in support of the bill. (Explained the bill) It relates to the 50/50 drawings that are held at the college campus. It helps supplement what they do with it on the college campus because they earn a fair amount of money. It sometimes brings in \$20,000. The problem has been in the cost of the tickets and this is looking at an alternative methodology that would allow electronic use of that. It would be for a net greater take by using the machine as opposed to the tickets.

(2:40) Chairman Dever: Do you have a comment on the fiscal note?

Senator Flakoll: I know it is for auditing the machines and others may have additional comments on it. They would not necessarily be at all the campuses across the state which is implied by the fiscal note.

Chairman Dever: Is there anyone here from the Attorney General's office to speak to that?

(4:10) Deb McDaniel, Director of the Gaming Division, Office of the Attorney General: See Attachment #1 for testimony in a neutral capacity on the bill.

(6:25) Chairman Dever: Can you address the fiscal note?

Deb McDaniel: That fiscal note is stating that potentially right now we have 350 licensed organizations and over 1000 permit and local permit holders. As written, any one of those organizations could use this type of equipment and if that is the case, we would need another FTE to go out and audit these organizations.

Chairman Dever: Are they organizations like charitable gaming?

Deb McDaniel: Yes. We have 350 licensed charitable gaming organizations that are licensed through the state. Then there are thousands of local permit and charity local permits that do smaller raffles etc. They can only give out prizes of \$12,000 per year, but they don't have to be licensed by our office and they are not regulated by our office. They are permitted by the cities and counties. That would still mean that they would have access to this. We did speak to the interested bodies here and stated that there could be an amendment to the bill that would limit it to licensed organizations only. This would cut it down to the 350 licensed organizations. However they would still be able to use the equipment. Right now it is limited to organizations that help athletics; however there is a bill that passed the Senate that increases cash prizes for all organizations from \$4000 to \$25,000.

Chairman Dever: Doesn't it say on more than two occasions per year?

Deb McDaniel: No, that is to exchange a merchandise prize for cash.

Chairman Dever: So, the only way to make the fiscal note go away is to really narrow this?

Deb McDaniel: Yes. We could do that.

Senator Flakoll: If you were to say licensed organizations with enrollments in excess of 10,000 students?

Deb McDaniel: That would help tremendously.

Senator Flakoll: You could do it with the existing personnel if it was two campuses?

Deb McDaniel: Yes. (Explains the ticket process) It takes the double roll tickets and makes the part that would go into the drawing a virtual ticket. The software program picks the winner. Not a physical person.

Chairman Dever: Are there a lot of organizations that use this sort of raffle?

Deb McDaniel: There are a lot that do 50/50 raffles.

Chairman Dever: I imagine that they would not want to invest in the equipment.

Deb McDaniel: Yes the equipment would be expensive but the organizations that have it could rent the machines out.

Chairman Dever: Your license the organization not the machine?

Deb McDaniel: Correct.

Senator Flakoll: We could limit it to use on campus only.

Deb McDaniel: Yes.

Senator Marcellais: I see you put in that you test the chip quarterly, could it be randomly?

Deb McDaniel: That is exactly what we would do here. The tribe does that but now the state would have to do the same type of thing that the casinos do. We would have to go in and make sure that the chip is secure and log in and out when we go into the machine, make sure that no one else is getting into the machine, and have to test the machine's computer software to make sure that it has not been compromised. After the raffle we would have to check it again. So, if it is in Fargo, we would have to drive from Bismarck to Fargo, stay overnight, test the information and drive back so there are costs involved. That is where the fiscal note comes from.

(16:50) Rick Stenseth, Gaming Manager for Team Makers Club in Fargo, Supporting NDSU Athletics Scholarships: Testified in support of the bill. We agree that amendments need to be made so that their administrative concerns will be met. In my opinion, the fiscal note is extreme. They can have remote access to the systems that we use so they can watch in real time as opposed to traveling. Our organization is totally open to the monitoring. Our records are open. We have been working on testing this equipment for a couple of years. (Gives examples of games that are out there with a random number generators) We never wanted to open this up to everybody else. We have an issue of time, equipment, and costs. We generate up to 90,000 tickets a game now. We have had audits and the machine has been lab certified and we can provide that documentation. It is different and if we need to limit access to it then we can do that. If we can write some sort of limited language in there that would narrow it down it is something that we have to consider to make things easier.

(20:40) Senator Marcellais: Do you contribute to gamblers anonymous at all?

Rick Stenseth: We do not. Not as a single unit.

Chairman Dever: Would the use of a random generator allow you to expand what you are doing or make it more efficient?

Rick Stenseth: It would definitely make it more efficient. As far as expansion, we don't really know where the upside limit is on it. The software technology has proven itself and all we are asking for is for the physical ticket to not have to be printed.

Chairman Dever: Would the benefit of this bill be worth the cost in the fiscal note?

Rick Stenseth: I have issue with the fiscal note. I think that electronics are a lot easier to audit than the actual physical draw.

Chairman Dever: We do not write laws for honest people.

Rick Stenseth: Understood.

(24:10) Pat Simmers, Senior Associate Athletic Director at NDSU, and Executive Director for Team Makers Club: Testified in support of the bill. I have been in this roll for

16 years. The NCAA looks at us differently. We may be the only state that has NCAA affiliation that runs gaming opportunities. We are more than conscious of how we do business and how we need to do business. This does give us efficiencies on equipment, supplies, and labor.

(25:41) Senator Flakoll: How many dollars' worth of scholarships do you get from this 50/50 program?

Pat Simmers: \$163,000 before expenses.

Senator Flakoll: Do the people that deal with this have to have a background check?

Pat Simmers: Yes when we hire them. All gaming operators have to have a background check through team makers before they can work for a licensed organization and there are certain things that would exclude them from employment.

Senator Marcellais: Is that a federal or local background check?

Rick Stenseth: We do our own. We look at public court records. I do not know what the extent of what the Attorney General's office record check goes outside of what state each person lived in.

Chairman Dever: Closed the hearing on SB 2314.

Committee Discussion: The committee discussed the amendments that might need to be done to correct the language on the bill so that it would bring the fiscal note down and narrow the focus down basically to NDSU and UND. It was stated that others might come next time to be included. Some in the committee thought that there would be few organizations that would be able to afford the equipment and the committee was informed that the machine (printer) costs about \$800 and the hardware would be about \$2000. (32:38) Draft language was suggested to the committee by Deb McDaniel. It was clarified that the machines are currently in use but without the random number generators. The random number generators were explained and examples of the tickets were explained for what the process is now and what it would be. Deb McDaniel made it clear that the committee was basically being asked in the bill if electronic machines would be allowed to pick a winner. It is making electronic gaming legal in the state of North Dakota.

(42:15) Chairman Dever: Asked if the process was any different than the Powerball?

Deb McDaniel: No.

Rick Stenseth: Personally, the random number generator being considered by the Attorney General's office to be an electronic version of this game is true, but it already exists as I discussed. This is no different than a bingo machine randomly picking a ball. We are already using it in our state. It is not really electronic gaming like slot machines. We are looking at a new technology alternative to help us in a process that is already legal. We look at it differently and that is why we are here.

Chairman Dever: Between the hand-held ticket and the computer there are not really any security issues?

Rick Stenseth: No.

Chairman Dever: As long as the machine is audited and is operating properly?

Rick Stenseth: Yes.

Chairman Dever: Closed the discussion on SB 2314.

2015 SENATE STANDING COMMITTEE MINUTES

Government and Veterans Affairs Committee
Missouri River Room, State Capitol

SB 2314
2/5/2015
Job # 23341

- Subcommittee
 Conference Committee

Committee Clerk Signature



Minutes:

Attachments 1

Chairman Dever: Opened SB 2314 for committee discussion.

Senator Flakoll: See Attachment #1 for proposed amendments.

Deb McDaniel, Director of the Gaming Commission, Attorney General's Office: The amendment satisfies the Attorney General's office and it would make the fiscal note \$0.

(2:15) Senator Cook: You talk about electronic gaming and you say this is electronic gaming?

Deb McDaniel: Correct.

Senator Cook: Am I under the assumption that electronic gaming is illegal in North Dakota?

Deb McDaniel: At this time.

Senator Cook: Specifically illegal, or is there just no legislation enabling it?

Deb McDaniel: Deb McDaniel: There is no legislation.

Senator Cook: Once we do this with electronic gaming, what are other consequences that could happen? Is there other gaming out there that is going to be able to say that we now allow it?

Deb McDaniel: I am not an attorney. Our office has the understanding that if computer software it determining the winner it is electronic gaming. There are several bills in front of the legislature that address this right now. So, we are asking you if you want to have electronic gaming in North Dakota.

Senator Cook: The amendments remove the fiscal note and I would think that if we pass the amendments, the urgency on getting the bill out is removed correct?

Chairman Dever: That would be my interpretation.

Senator Cook: I would feel comfortable if we could get an attorney from the AG's office down here just to ask some questions. Expansion of gaming, when you run for the legislature, you are going to get asked if you are for or against it and you have to take a stand. This is a perfectly good bill in my mind but I just want to make sure I know what the consequences are of making this allowance for electronic gaming.

Chairman Dever: That is an important point and I appreciate that.

Senator Marcellais: In addition to that I think the Tax Commissioner should come down too.

Chairman Dever: What would be the implication that would be a concern to him?

Senator Marcellais: On the jackpots, there are taxes paid on that and we could get clarification on 50/50 raffle.

Chairman Dever: that would not change with the bill.

Senator Marcellais: I just want clarification on the jackpots from the Tax Commissioners Office.

Deb McDaniel: The licensed organizations pay a gaming tax but the IRS does have restrictions on winning players. We do not regulate that.

Committee Discussion: The committee was informed of what forms are used and what the winners are required to give for information. They discussed all of the electronic gaming that is out there on the internet and the implications of what that could mean for the state. It was stated to the committee that electronic gaming is illegal by interpretation because there is no statute that bans it in any way. It was asked by the committee if tickets had names on them and if selling to minors was monitored and they were told that it all is checked when the ticket is redeemed.

(13:57)Senator Flakoll: Moved his own Amendment. (Attachment #1)

Senator Davison: Seconded.

A Roll Call Vote Was Taken: 7 yeas, 0 nays, 0 absent.

Motion Carried.

Chairman Dever: Closed committee discussion on SB 2314.

2015 SENATE STANDING COMMITTEE MINUTES

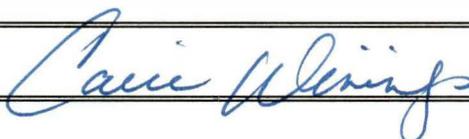
Government and Veterans Affairs Committee

Missouri River Room, State Capitol

SB 2314
2/19/2015
Job # 24177

- Subcommittee
 Conference Committee

Committee Clerk Signature



Minutes:

No Attachments

Chairman Dever: Opened SB 2314 for committee discussion.

Senator Flakoll: Moved a Do Pass As Amended.

Senator Nelson: Seconded.

Chairman Dever: Is there any discussion?

Senator Flakoll: This is not an expansion of gaming. It is just a better way to use technology to simplify some things.

Senator Davison: I am going to support the bill but I will take it as far as the expertise of what the testimony was. This does change how the random draw is selected and that was the testimony that we had here. The gaming person did say that it expands the gaming from the standpoint of the electronic part of the random draw. I will support the bill but if it comes up on the floor - it changes the dynamics and how we do gaming in North Dakota.

Senator Flakoll: In terms of expanding gaming, we drew names out of a barrel and now we are just drawing them out with a computer. It will not change the number of people that participate and what level they participate. Those that are going to do it will do it to the same extent either way.

Senator Davison: I agree with Senator Flakoll, but it expands the types of games that are available in North Dakota to other kinds of patrons and they will use this example as a foot in the door to say that you have said this is ok. They will line up here. I am ok with that but I am just pointing that out.

Senator Flakoll: I think it is much more auditable this way too. To me it is a difference between filing your taxes online or filing the old fashioned way.

Senator Dever: I think you could say that it is not an expansion in this circumstance but it opens up other possibilities.

Senator Marcellais: I am strictly against gambling so I will be opposed to this bill. The reason for that is that there is no program to help our gamblers anonymous. When I worked at the casino there was a program but they were not helping anyone. They were getting \$20,000 from our casino and never gave me a number of people they were helping. Then the company went out of business after.

Senator Cook: I helped someone out that had some gaming problems. I think Lutheran Social Services had a counselor and there were only two or three in the state that you could send someone to.

A Roll Call Vote Was Taken: 6 yeas, 1 nay, 0 absent.

Motion Carried.

Senator Flakoll will carry the bill.

TD
2/19/15

PROPOSED AMENDMENTS TO SENATE BILL NO. 2314

Page 1, line 15, remove "A fifty-fifty raffle may be conducted either by a manual drawing or by an alternate fair"

Page 1, remove line 16

Page 1, line 17, replace "number generator" with "A licensed organization that supports amateur collegiate athletics may conduct a fifty-fifty raffle either by a manual drawing or the use of a random number generator"

Renumber accordingly

REPORT OF STANDING COMMITTEE

SB 2314: Government and Veterans Affairs Committee (Sen. Dever, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (6 YEAS, 1 NAYS, 0 ABSENT AND NOT VOTING). SB 2314 was placed on the Sixth order on the calendar.

Page 1, line 15, remove "A fifty-fifty raffle may be conducted either by a manual drawing or by an alternate fair"

Page 1, remove line 16

Page 1, line 17, replace "number generator" with "A licensed organization that supports amateur collegiate athletics may conduct a fifty-fifty raffle either by a manual drawing or the use of a random number generator"

Renumber accordingly

2015 HOUSE POLITICAL SUBDIVISIONS

SB 2314

2015 HOUSE STANDING COMMITTEE MINUTES

Political Subdivisions Committee

Prairie Room, State Capitol

SB 2314
3/19/2015
25109

- Subcommittee
 Conference Committee

Chmonela Muscha

Explanation or reason for introduction of bill/resolution:

Relating to conducting raffles using a random number generator.

Minutes:

Chairman Klemin: Opened hearing in SB 2314.

Senator Sorvaag: This is a short bill that has been amended a little in the wording. The new fiscal note is at 23,000. It doesn't increase gaveling or increase dollars. Instead of using paper tickets for 50/50 the idea is they could use electronic number generating.

Chairman Klemin: Why should the state pay for these athletes to do 50/50?

Senator Sorvaag: They figure it will take some more training with the electronic equipment. Initially I didn't know there would be a fiscal note.

Representative Beadle: When I purchased 50/50 tickets recently at UND and NDSU I used an electronic ticket. Aren't they using this already?

Senator Sorvaag: I was asked to bring it forward.

Rick Stenseth: This was brought forward after a two year test- one on which we worked with the attorney general's office on this system. It is a tweak to the operation that needs to be addressed in the statute. We are asking to allow the equipment to do its job and make it more efficient. The electron audit compared to printing the tickets will make it easier on all of us. At first there was a large fiscal note because the language was too broad. After we worked with the attorney general's office to reword the language, the fiscal note did drop. There will be training involved inevitably and that is where the fiscal note comes from. We want to be more efficient and it is limited to entities that sponsor collegiate athletics within the state. The maximum number of organizations that could use this is about 12. The technology comes at a price and you need a volume to pay for it.

Chairman Klemin: What is a 50/50 raffle and where is it conducted?

Rick: It is popular at football, basketball, and other games. It is a game type where there is a roll of tickets, where each ticket is made of two pieces each with the same number. The person gets one side of the ticket and we put the other in something to store it until the tickets are sold. Once they are sold we manually pick a ticket from the container and award that person half of what we sold in tickets. The winner is determined by a manual draw.

Chairman Klemin: Is there only one winner?

Rick: Yes

Chairman Klemin: Can you explain the random number generator?

Rick: They are most common in a pull tab dispenser but are also used in other places. They can be used in bars that aren't big enough to have a full casino. Random number generators are used in bingo to draw the bingo numbers as well. In our case- it is instead of having 1000 tickets printed in a drum and having a manual draw, we will now have the machine that sold that tickets would record the sale and print the tickets, and from that they would be able to have the machine electronically pick the winner.

Chairman Klemin: Do you put your money in the machine?

Rick: No, this is still a face to face operation. You would instead be printed a receipt with your numbers on it instead of having an individual ticket for each. Right now all those numbers go, one at a time, into a drawing drum. The only thing this would do is remove the process of printing each ticket into the drum. The ticket number would stay inside the CPU and when it is time to draw we would say 'randomly select' and it would from the sold numbers.

Chairman Klemin: There would still be only one winner?

Rick: Yes

Chairman Klemin: That number would be selected by the machine that printed the receipt?

Rick: Yes

Chairman Klemin: What is the reason for the fiscal note?

Rick: I believe it is for the training and getting the staff up to speed on the reports and the audit of this equipment. Once it is spent I don't think there wouldn't be much to maintain that- although knew people would need to be trained from time to time.

Chairman Klemin: Is the random number generator an expensive machine?

Rick: Not necessarily because it is already part of the equipment we have. Right now we at NDSU and Team Makers Ralph Ingolstadt Foundation are the only two using this technology at the time.

Chairman Klemin: What would be the price if you do not already have the machine?

Rick: The end price is based on whatever the arrangement the organization can make with the provider of the equipment who is becoming the provider and any other providers which come along are now after this session should be required to be licensed and answer to the attorney general's office and their administrative rules that they develop. If we just bought a computer without all the printers and the things we had to purchase it is too spendy for most organizations. I would say in the 10,000 range but it is case to case dependent. Some of the stuff we got, because it was a test, was really either free or significantly reduced so we could discover how it would function. I hesitate to pin a retail cost.

Chairman Klemin: This sounds like a lot more than just buying the paper roll of tickets.

Rick: Yes

Chairman Klemin: Why would you want to spend more money on this technology when the old way works and costs less while not costing the state anything?

Rick: There is no way we could do what we do with the traditional paper tickets. We are printing 70-80,000 tickets per game and at 2,000 tickets per roll that is a lot of tickets that has to be manually counted, separated, torn, and mixed. The labor and time involved far surpasses the cost the new system that we have been working with.

Representative Strinden: You have been working with the attorney general's office with this, it already is being used, and it's working. Why do you need the bill to put it into law?

Rick: The random number generator is the reason we need to put it into statute. The attorney general's office says this choice to allow this is a little out of their purview. We would all feel more comfortable if it was addressed in statute.

Representative Kretschmar: When the bill speaks of a licensed organization- that is a group that has gotten a license from the attorney general's office to conduct gaming right?

Rick: This is not the local permit situation; you have to have a full gaming license which has its own requirements and responsibilities. They need to meet the attorney generals two years in existence providing all kinds of info to support their ability and eligibility to conduct.

Representative Kretschmar: Can a local high school get permission to use this through their local governing bodies?

Rick: I do not believe under this statute it will allow any local permits to conduct this. You have to get a gaming license and your mission statement would have to support the athletics.

NEUTRAL-

Deb McDaniel: I am here to answer any questions.

Representative Koppelman: We have had several bills in other committees similar to this. Is this similar to the bingo one?

Deb: This would be considered electronic gaming which has not been approved before and it is the same as the bingo bill- it is electronic gaming. We are allowing Rick use the machine to print tickets but we need you to allow us to allow the electron gaming. In other words we need you're OK to let the machine pick the winner.

Representative Koppelman: The struggle that I think the committee had on that issue with the quick shot bingo is exactly the electronic gambling. The issue that I am not clear on is that you talked about how they are currently producing the tickets in a mechanized way, but didn't he also say they are doing the random number selection? Is that a pilot program or is that what they want to do?

Deb: The regular tickets are the ones you see at local high school games. The ones Rick is allowed is just a printing machine right now. They still have to print out the tickets but what they want is to be allowed to use the random generator to pick a winner instead of printing out the tickets and having a manual draw. Right now in the rules the conduct of the raffle is the drawing of the ticket- a manual draw. They want to allow the computer to pick a random winner.

Representative Koppelman: Right now is legal and you are monitoring it. This bill has nothing to do with it but the expansion they are asking for allows the random number generator by this bill.

Deb: Right now we are in the process of drafting administrative rules so that they can continue to conduct it this way. You can do a raffle and it is legal to have a person pick from the printed out tickets right now. If they use the random number generator it will be the computer system pick the winner. That is what we are asking for.

Representative Koppelman: Which speeds things up and it allows them to do more.

Deb: It is helping the organization print out more tickets. It helps them and the reason for the fiscal note being so large beforehand is because the language wasn't eliminating the license organizations to the 11 university system organizations. It was allowing everyone to conduct this, and that included the local permit high school people and everything. We have over 350 licensed organizations and 1000 local permit holders. We do not regulate local permit holders. We only regulate the 350 licensed gaming organizations. When we brought the language down to the 11 university systems it brought the fiscal fell down. The 20,000 would include helping to write regulations and rules for the electronic system and any equipment to audit this information would be purchased.

Representative Beadle: With the way they are doing the tickets right now, there is already a random number generator in place with the printing of the tickets isn't there? The numbers that come out on the sheet are not sequential.

Deb: They are pretty much sequential. The only time they are not is when there is a difference between when you get the ticket out in the parking lot versus going into the actual arena and buying them there. They are supposed to be numerically assigned. When we audit them they are.

Representative Beadle: So they are numerically assigned on the back end but the numbers themselves don't have to print off numerically? When I got it this weekend they were not.

Deb: It is because of how their set up. It is in numerical order though.

Representative Beadle: Last session we dealt with the cash prize limitations on these organizations and we amended subsection 2 of the same section of code to allow them to have a higher cash value prize. That language we put it down as a public spirited organization sports collegiate athletics. Why would we not keep that language consistent between subsections 2 and 3?

Deb: I am not sure how legally it is supposed to state that. I noted that also but you can't be a collegiate athletic licensed organization without being public spirited. I am not sure legislatively why we would or wouldn't include it but you have to be a public spirited athletic organization to be a licensed gaming organization.

Representative Beadle: Your office would have no issues with us making those two subsections consistent?

Deb: Nope

Representative Kretschmar: Local organizations that get permission from the local governing body to conduct a 50/50- do you think that is ok under our law?

Deb: Yes. You can be a local high school to go to your local governing body and get what is called a local permit. They have prize restrictions which include: you can't give out more than 6,000 and there is a cash limit of 4,000. They are locally run and regulated. The first time the bill went through there was no language limiting it to licensed gaming organizations. Local permit holders go to their local governing board and they can do raffles, sports pools, and cow cuts.

Representative Kretschmar: This 50/50 thing is considered a raffle?

Deb: Yes

Chairman Klemin: When they print out 80,000 tickets that is 80,000 dollars.

Deb: You can buy a ticket for \$5, \$20.

Chairman Klemin: It could be a really big number then.

Deb: Yes

Chairman Klemin: If they sold 80,000 tickets at \$20 it would be super high. We are talking some big time gambling here then right?

Deb: You won't have a lottery. It is limited to the number of people that are at the venue.

Chairman Klemin: The fiscal not says 20,000 for the next biennium and 17,000 for the one after that. Is this going to be an ongoing cost?

Deb: It shouldn't be. It's just training, writing the rules, traveling, and any equipment we might need.

Chairman Klemin: You already have 37,000 for the next two biennium in the fiscal note.

Deb: We don't know. We have never regulated something like this.

Chairman Klemin: This could continue and there is not limit on what they can sell the ticket for or how many they can sell. Right?

Deb: Yes

Representative Hatlestad: Can you tell me what the license fee is?

Deb: There is a \$150.00 licensing fee for the fiscal year.

Representative Hatlestad: For this type of gaming?

Deb: For any gaming. The state of ND licenses organizations and once you get a license you can conduct bingo, raffles, pull tabs, 21, cow cut, poker. The 150 licensing fee is to allow you to do that. Then you have to go to your local city or county where you will be conducting the game and they are the ones that restrict you and say you can only conduct certain game types.

Representative Hatlestad: Since this is a very select group. Could you charge them extra fee to pay that 20,000 training supervision?

Deb: I don't believe in statute that we can pick and choose certain activities.

Chairman Klemin: In one drawing at NDSU it would sell 80,000 tickets and keep 40,000. I don't know why the state of ND should be paying 20,000 so they can do that.

Representative Beadle: Is it safe to say NDSU football and UND hockey are the biggest raffle drawings?

Deb: Yes

Representative Beadle: I go to both of them and put in my "donation" in exchange for a ticket that does nothing. Thinking about the last few years and I can't remember a prize that went above 30,000. Do these tend to get above that 20,000-30,000 price range?

Deb: The two activities that we have audited so far have grossed 28,700 and 10,600.

Representative Beadle: We are not talking 80,000 prizes.

Deb: Correct.

Representative Beadle: An issue in the bingo thing was that there wasn't a guaranteed winner. That's not the case with the raffle.

Deb: Correct. The number chosen has to come from the ones that were just purchased.

Chairman Klemin: If the winner doesn't show up?

Deb: If the winner doesn't show up we have administrative rules saying they have to draw again, or if no winner presents themselves within a certain amount of time then that prize money has to be given away in another raffle.

Representative Strinden: Right now when it comes to black jack and pig wheel we do tax those so that you can regulate that charitable gaming. If we were to put into statute that there was \$1000 registration fee every year for these organizations that want to use it- that would be legal right?

Deb: I am not sure

Chairman Klemin: Let's take up this bill. It appears with respect to amateur collegiate athletics that the sky is the limit on the amount that can be wagered on this. The testimony we had was that NDSU wanted to print up to 75-80,000 tickets and they haven't done that to date. I am concerned with the state paying out of the general fund over 30,000 to regulate this activity by these 11 organizations (maybe only two).

Representative Hatlestad: I believe the tickets are a dollar a piece and you spend 20 bucks to get 20 tickets.

Representative Beadle: In essence. You can have 1 for \$1, 5 for \$3, 10 for \$5, and 20 for \$10. They incentivize you to spend more. Typically it is a one for one exchange, but it's not like it's a wagering deal, it is more I will buy this many tickets. I started where they sat there with a long roll and pulled off how many you want. Now all they do is push a button and it prints out your numbers.

Representative Zubke: The way I read this, no cash prize may exceed 4,000 dollars but it sounds like those cash prizes they referenced are way over that.

Representative Beadle: last session we had a change for that. Previously you could do no more than 4,000 in cash and the rest could go into comparable prizes (including gift cards). Last session we made the change in subsection two.

Representative Zubke: Is there a limit then?

Representative Beadle: No

Chairman Klemin: No maximum for public spirited organizations that support amateur collegiate athletics.

Representative Beadle: These are the deals where they sell the tickets in the first half.

Representative Maragos: I move a do pass

Representative Anderson: Second

Representative Maragos: This would help modernize the system.

Representative Koppelman: I think one of the things that we have struggled with in the state is modernizing. We looked at it in other states and I think in most cases the electronic modernization is expansion. We dealt with it earlier this session on the quick shot bingo issue. At first we thought yea this is good, it simply modernizes it. Then when we started looking at the detail that modernizing could also mean some crazy expansions. Just because we allow something does it mean we should electronic it? I recall this legislation last session dealing with the public spirited organizations supporting amateur athletics. Whether we have done that kind of thing other than in that bill last year. We have a lot of charitable gaming but that's what it normally is. If you are a charitable organization you can apply and become a part of it. I don't recall us narrowing a lot of areas saying this kind of a group can do this and they can't. We did that last session and now we are expanding it on a different point. Is that good policy?

Chairman Klemin: I think the term public spirited organization comes out of the constitution. Charitable gaming uses that terminology but doesn't use amateur collegiate athletics.

Representative Koppelman: That is my point. Should it be available to the local Elks Club or the local whatever if we do it for these groups?

Representative Strinden: I do agree with Representative Maragos on why he moved the do pass and if it didn't have a fiscal not I would vote for it. To have money come from the general fund, it seems like it is not fair for us to give money to regulate this if we are also having charitable gaming blackjack and pig wheel taxing them. That seems unfair and I don't want to say we cut 50,000 out of Agent Orange awareness for veterans but we are paying 20,000 for gambling. If we could get rid of the fiscal not I could support it.

Representative Beadle: We had the discussion regarding the public spirited last session and we had a few people who wanted to extend it to everyone because some raffle off a truck and if people didn't want the truck they wanted to be able to cash. That's why we gave them an exemption. Public spirited ones for amateur athletics were the only ones that even got to that dollar before. In terms of the fiscal note I fully expect appropriations to lower the Ag budget accordingly.

Representative Maragos: Wouldn't they be taxed as well?

Chairman Klemin: I am not sure about these raffles

Representative Maragos: We should get that answered. Even if my church is nonprofit we still have gaming tax.

Representative Hatlestad: Institutions of higher education are not taxed. They are tax free.

Chairman Klemin: This is not

Representative Hatlestad: I will guess they won't pay any taxes

Chairman Klemin: My guess is that these organizations are part of the university.

Representative Kelsh: If you have a local entity that goes with a raffle of any kind, all they do is go to their local subdivision and get a permit. They can do the tickets how they want

and there are no dollars that go to the general fund out of those. I don't have I problem with that it is a small thing. There are other entities and we have helped them in other ways.

Representative Maragos: (mic not on)

Representative Oversen: With regards to the fiscal note, I believe the house revisited the quick shot bingo bill and passed that. If the fiscal note in this is regarding regulation of that system I am assuming the same is going to apply to that gaming system and they won't need to train people twice to regulate automatic gaming systems.

Representative Koppelman: If this motion passes it will have to be referred to appropriations

Chairman Klemin: Correct but it may not but we will clarify.

A Roll Call Vote Was Taken: Yes 7, No 7, Absent 0

Motion Fails

Representative Maragos: Can we move without committee recommendations?

Chairman Klemin: Let's try a do not pass first

Representative Klein: I move a do not pass

Representative Koppelman: Second

A Roll Call Vote Was Taken: Yes 7, No 7, Absent 0

Motion fails

Representative Kretschmar: I move we send it without committee recommendation

Representative Maragos: Second

A Roll Call Vote Was Taken: Yes 13, No 1, Absent 0

Motion carries

Representative Klemin will carry the bill

**2015 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 2314**

House Political Subdivisions Committee

Subcommittee Conference Committee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Other Actions: Reconsider _____

Motion Made By maragos Seconded By anderson

Representative	Yes	No	Representative	Yes	No
Chairman Lawrence R. Klemin		X	Rep. Pamela Anderson	X	
Vice Chair Patrick R. Hatlestad		X	Rep. Jerry Kelsh	X	
Rep. Thomas Beadle	X		Rep. Kylie Oversen	X	
Rep. Rich S. Becker	X		Rep. Marie Strinden		X
Rep. Matthew M. Klein		X			
Rep. Kim Koppelman		X			
Rep. William E. Kretschmar	X				
Rep. Andrew G. Maragos	X				
Rep. Nathan Toman		X			
Rep. Denton Zubke		X			

Total (Yes) 7 No 7

Absent 0

Floor Assignment _____

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

motion fails

Date: 3-19-15
Roll Call Vote #: 2

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2314

House Political Subdivisions Committee

Subcommittee Conference Committee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
Other Actions: Reconsider _____

Motion Made By Klein Seconded By Koppelman

Representative	Yes	No	Representative	Yes	No
Chairman Lawrence R. Klemin	X		Rep. Pamela Anderson		X
Vice Chair Patrick R. Hatlestad	X		Rep. Jerry Kelsh		X
Rep. Thomas Beadle		X	Rep. Kylie Oversen		X
Rep. Rich S. Becker		X	Rep. Marie Strinden	X	
Rep. Matthew M. Klein	X				
Rep. Kim Koppelman	X				
Rep. William E. Kretschmar		X			
Rep. Andrew G. Maragos		X			
Rep. Nathan Toman	X				
Rep. Denton Zubke	X				

Total (Yes) 7 No 7

Absent 0

Floor Assignment _____

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

motion fails

Date: 3-19-15
 Roll Call Vote #: 3

**2015 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 2314**

House Political Subdivisions Committee

Subcommittee Conference Committee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Other Actions: Reconsider _____

Motion Made By Kretschmar Seconded By maragos

Representative	Yes	No	Representative	Yes	No
Chairman Lawrence R. Klemin	X		Rep. Pamela Anderson	X	
Vice Chair Patrick R. Hatlestad	X		Rep. Jerry Kelsh	X	
Rep. Thomas Beadle	X		Rep. Kylie Oversen		X
Rep. Rich S. Becker	X		Rep. Marie Strinden	X	
Rep. Matthew M. Klein	X				
Rep. Kim Koppelman	X				
Rep. William E. Kretschmar	X				
Rep. Andrew G. Maragos	X				
Rep. Nathan Toman	X				
Rep. Denton Zubke	X				

Total (Yes) 13 No 1

Absent 0

Floor Assignment Klemin

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

motion carries

REPORT OF STANDING COMMITTEE

SB 2314, as engrossed: Political Subdivisions Committee (Rep. Klemin, Chairman)
recommends **BE PLACED ON THE CALENDAR WITHOUT RECOMMENDATION**
(13 YEAS, 1 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2314 was
placed on the Fourteenth order on the calendar.

2015 TESTIMONY

SB 2314

#1
pg 1

Senate Government and Veterans Affairs
Senate Bill No. 2314
Relating to Conducting Raffles using a Random Number Generator
February 5, 2015

Mr. Chairman and members of the Committee, my name is Deb McDaniel. I am the Director of the Gaming Division with the Office of Attorney General.

The Office of Attorney General takes a neutral stance on this bill.

Our office spoke with interested parties and explained that the bill as written would have enforcement issues.

- This office would need to ensure that the random number generator is tested by a certified testing laboratory before it is used in the field and hire a full time auditor to make subsequent quarterly testing runs of the equipment to ensure the integrity of the game. (fiscal note attached) We have a cause for concern with fraud. A Multi-State Lottery security director was recently arrested and charged with two counts of fraud in manipulating the random number generator in a Hot Lotto game.
- This bill does not restrict the use of a random number generator to licensed gaming organizations. This would mean that local permit and charity local permit holders would have access to this type of draw and these permit holders are not regulated by our office.
- There is also concern over the language stating that a drawing by an alternate fair method of selection be placed in the Century Code.

Historically any organizations who wished to use an alternate fair method of selection in the conduct of a raffle would request a waiver from this office of the administrative rule outlining the conduct of raffles. The way this bill is drafted only 5050 raffles could use a "fair" method of selection eliminating raffles such as paddle raffles, duck raffles, and many other such events.

In closing, using a random number generator in conducting the draw of a raffle ticket presents regulatory issues and would constitute the legalization of electronic gaming.

Thank you, Mr. Chairman, and I will try to respond to any questions you may have.

15.0938.01000

FISCAL NOTE
Requested by Legislative Council
02/03/2015

Bill/Resolution No.: SB 2314

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$230,554		\$238,246	
Appropriations			\$230,554		\$238,246	

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This bill allows 50/50 raffles to utilize random number generators rather than issuing tickets, then the winning ticket number is generated by the raffle system rather than drawn by hand.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

For 50/50 raffles, the winner of the raffle receives 50% of the total gross proceeds and the remainder is kept by the charitable organization to donate to the institution. Section 1 provides for the use of random number generators in drawing the winning ticket virtually for a 50/50 raffle. Fifty-fifty raffles are most often played at colleges and universities. There are about 15 higher education institutions using 50/50 raffles to raise money for their teams. These raffles can be played at every higher education team's home games.

Higher education institutions participating in 50/50 raffles use a system to issue ticket numbers to event attendees. The random number generator is an option on the system. A computer chip to be installed into the hardware used to issue the tickets will be tested by an independent gaming laboratory. An additional Gaming auditor will need to test this computer chip in every entities' hardware on a quarterly basis to assure it maintains its original integrity from the independent laboratory testing. When higher education institutions rent their hardware and system to others, the auditor will need to verify the integrity of the computer chip before it is used.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

N/A

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

An additional Gaming auditor is needed to perform the audits needed on the hardware and software system to assure the computer chip in it maintains its original integrity verified when it was tested by an independent gaming laboratory. This will result in significant travel to the institutions using this process to generate the winning ticket. The estimated expenditures for the 2015-17 biennium total \$230,554, funded from the general fund. For the 2017-19 biennium estimated expenditures total \$238,246 from the general fund.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

The Executive Recommendation was unable to anticipate the impact of this bill; the appropriation and 1 auditor position will need to be added to Senate Bill No. 2003, the Office of Attorney General's appropriation bill or be added to this bill.

Name: Kathy Roll

Agency: Office of Attorney General

Telephone: 701-328-3622

Date Prepared: 02/03/2015

2/5 #1

Flakoll

PROPOSED AMENDMENT TO SB 2314

Page 1, remove lines 15-17

Page 1, line 15 after 3. Insert "A licensed organization ^{that} ~~who~~ supports amateur collegiate athletics may conduct a fifty-fifty raffle either by a manual drawing or the use of a random number generator."