

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1404

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10/3/03  
Date

2003 HOUSE JUDICIARY

HB 1404

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1404

House Judiciary Committee

Conference Committee

Hearing Date 2-5-03

Tape Number	Side A	Side B	Meter #
1	X		0-8
2		xx	0-14.4
Committee Clerk Signature <i>D. Penrose</i>			

**Minutes:** 13 members present.

**Chairman DeKrey:** We will open the hearing on HB 1404.

**Rep. Wrangham:** Introduced the bill (see attached testimony and handout).

**Rep. Delmore:** When you looked at the other states to see what they're charging, what their rate is?

**Rep. Wrangham:** I am not aware of any other state that license pull tabs dispensing machines, it could be that they are not considered gambling.

**Rep. Delmore:** So they exist in other states, but there is no charge for the licensing of the device.

**Rep. Wrangham:** As I understand it, in other states the product as its being vended is considered the gaming piece, so the machine is no longer a vendor.

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**Rep. Eckre:** In looking at your sheets here, MLA, Inc. out of Fargo is not licensed in 2000 but they were in 2001, weren't in 2002, but again in 2003. Do they skip every year. Is there a reason for this.

**Rep. Wrangham:** I don't know.

**Rep. Klemin:** The machine itself is not licensed, just the manufacturer.

**Rep. Wrangham:** The machines are not state licensed, no. The manufacturer pays the licensing fee.

**Rep. Klemin:** Once the machine is sold, there is no license that is required then.

**Rep. Wrangham:** Of course, the charitable organization would have to be licensed, and there is some reporting requirements I believe that the AG's office requires.

**Chairman DeKrey:** Thank you. We will stop on HB 1404.

(Reopened later in the same session)

**Chuck Keller, Chief Officer of Gaming, Division of A.G.:** The attorney general's office is neutral on this bill. My role is to provide you with background regarding license fees. (5.8-8.3) The license fees from 19898-1999 were \$2000/yr. It was then recommended to increase from \$2000 to \$4000/yr. Under federal law, out-of-state corporation don't pay corporate tax to North Dakota, this is why the license fees were raised.

**Rep. Klemin:** So the license fee is being used instead of income tax. What about in-state corporations that pay income tax, they are charged the same as out-of-state companies?

**Mr. Keller:** I don't know.

**Rep. Delmore:** How do they charge in other states for these license fees.

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**Mr. Keller:** I don't know what other states charge for pull tab device manufacturers. A lot of them charge the manufacturer just like we do.

**Rep. Bernstein:** If we lowered the license fee, would more people buy the license, or are there only so many manufacturers, that no matter what you charge, there will only be so many people buying it.

**Mr. Keller:** I don't know.

**Chairman DeKrey:** Thank you. Any further testimony on HB 1404. We will close the hearing.  
(Reopened later in the same session.)

**Chairman DeKrey:** What are the committee's wishes in regard to HB 1404.

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

**Rep. Boehning:** Seconded.

(Discussion was held, tape 2, side b, 0-4.6)

**Chairman DeKrey:** We will have someone from the AG's office come this afternoon to explain more about this bill. We will close for now.

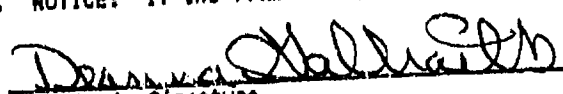
(Reopened later that same day, tape 2, side b, 5-14.4)

**Chairman DeKrey:** We will hear from the A.G.'s office on HB 1404.

**Keith Lauer, Gaming Division of the AG's office:** It is my understanding that this will affect only a couple of pull tab device manufacturers. We currently have one manufacturer, MLA; it is our understanding that he will be relicensing for one of the two years. Not in the coming year, because he still has products available for sale. They do up enough stock to last for a couple of years and only relicense every couple of years.

**Rep. Wrangham:** How many devices does CEI have available.

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**Mr. Lauer:** My understanding is that he has run out of the boards, now and will be relicensing come April 1, 2003. CEI is the distributor and there is an actual manufacturer of the board. He has no machines at this time.

**Rep. Wrangham:** It is just the manufacturer that is going to get a license, which would just be supplying him with the boards.

**Mr. Lauer:** That is correct. Then he will be assembling them, because he has the casement, the computer board, etc.

**Rep. Wrangham:** So actually when we license these manufacturers, all the licensing is the propriety rights to the software, would that be correct.

**Mr. Lauer:** That could be the case, some of the manufacturers of the boards actually assemble the devices so they go both ways. We are licensing the manufacture of the propriety rights software that operates the device.

**Rep. Klemin:** Could you tell us what the regulatory costs of licensing the manufacturer of pull tab dispensing devices.

**Mr. Lauer:** Initially when a new manufacturer comes into the state, the device that he is bringing into the state has to be tested by an independent testing lab. All of that cost is covered by the manufacturer. We contract with a lab in New Jersey and they test all of the new devices in our state. The manufacturer pays those costs, it has nothing to do the license fee. The license fee basically goes into the general fund and may cover some time in the AG's office to receive a prototype of the device, may have to do with investigations that occur after a device is on the market. We have had some devices in the state, where people have found ways, even after the testing laboratory, they have found ways to get into the devices.

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**Rep. Klemm:** Would you say that the investigated costs are covered by what you charge.

**Mr. Lauer:** It depends on the type of machine. It may be more or it may be less than \$1,000.

It all depends on if we get new devices coming in. There are a lot of variables.

**Rep. Wrangham:** You do have recourse to charge back to those manufacturers in cases where the machines have been faulty design.

**Mr. Lauer:** We do have ways to go in and file an administrative complaint or suspend the license of the manufacturer, taking action against them, fining them for any regulatory costs.

**Rep. Wrangham:** What do you do in the case where a licensed manufacturer does not renew his license.

**Mr. Lauer:** That is correct. The organizations out there at that point in time who have the device, we really have no leverage against the manufacturers at that point in time. If they wanted to be relicensed again, we may look at that and say no, we can't relicense you because of previous problems we had with your device.

**Chairman DeKrey:** Any further discussion on HB 1404. The clerk will call the roll on the Do Pass motion on HB 1404.

7 YES 6 NO 0 ABSENT DO PASS CARRIER: Rep. Wrangham

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**FISCAL NOTE**  
 Requested by Legislative Council  
 01/21/2003

Bill/Resolution No.: HB 1404

1A. **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.

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>	\$0	\$0	(\$12,000)	\$0	(\$9,000)	\$0
<b>Expenditures</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>Appropriations</b>	\$0	\$0	\$0	\$0	\$0	\$0

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

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2. **Narrative:** Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.

The bill would reduce the annual license fee for a manufacturer of pull tab dispensing devices. The license fee would be reduced from four thousand dollars, to one thousand dollars.

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.

The general fund revenues would decrease because the bill would reduce the annual license fee for manufacturers of pull tab dispensing devices.

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.

Not Applicable

C. **Appropriations:** Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.

Not Applicable

<b>Name:</b>	Charles Keller/Kathy Roll	<b>Agency:</b>	Office of Attorney General
<b>Phone Number:</b>	328-4482/328-3622	<b>Date Prepared:</b>	02/03/2003

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