

2013 SENATE POLITICAL SUBDIVISIONS

SB 2311

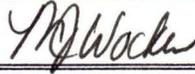
2013 SENATE STANDING COMMITTEE MINUTES

Senate Political Subdivisions Committee
Red River Room, State Capitol

SB 2311
February 7, 2013
18458

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Relating to cash prize limits for raffles

Minutes:

You may make reference to "attached testimony."

Chairman Andrist opened the hearing for SB 2311. All senators were present.

Vice Chairman Ronald Sorvaag, District 45, Fargo introduced the bill. This is a simple basic bill. Right now when cash is given away in any type of raffle you can only give away \$4,000 cash a year. The rest would have to be in prizes and merchandize. Basically what this is doing is adding an exemption to that \$4000 cash limit to the nonprofits that represent some our collegiate, in our case the North Dakota State University is the team maker's booster. Every college has a different name for their support groups and it would just be exempting them. When you get to the NDSU football game they do a 50/50 raffle. It is a lot more dollars than this and their having to do gift card, prizes. It's not changing the games it's not adding any games, it's just changing how the winnings are distributed.

Rick Stenseth NDSU Team Maker Club Foundation. See written testimony #1. Our particular money goes to scholarships so we fund a significant number of the scholarships that our university needs to participate and see some of the successes that we've had especially in recent periods.

Vice Chairman Ronald Sorvaag When you're talking players, you're talking people playing the 50/50 raffle game, not football players or any other type of athlete. I just want to make that clarification.

Rick Stenseth replied yes that is very true. Players who choose to participate in the raffle game. They would love to see more, that would be a better marketing tool for us. Our players would be happier; per chance it would spur additional growth to the game. It certainly is a bit prohibited now when people don't receive cash. We use the \$4000 dollar cash limit by using local gift cards to businesses which are supporters as well of the institution and the athletic foundation. So we make it work. It is just not working well from the player perspective and from our marketing perspective. It's limiting us. We're hoping that by adding this limited amendment, that sticks with our collegiate athletic organizations that support collegiate athletics around the state and there is about a dozen of them, but it

just gives them an opportunity to take advantage of this. They haven't in the past, (example cited). All in all it doesn't open up a new game type, it doesn't make it available to all the various high schools and local groups and things like that. It maintains that \$4000 prize limit with this one exception.

Chairman Andrist You said most of the proceeds are used for scholarships. Are you talking about athletic scholarships? **Rick Stenseth** replied absolutely. The money that we raise from these raffles goes immediately to the North Dakota Athletic Foundation who then disperses them to the student athletes. Not just in one sport like football, it's for all of them. We have an awful lot of need for athletic dollars and we're just a small piece of the puzzle but a valuable piece.

Senator Jim Dotzenrod With one sentence it creates an exception for amateur sports collegiate athletics. If we were to adopt this and pass it, do you think that we would have other people coming to us in following sessions asking for exceptions? Are you concerned at all that if we create this exception that they're going to be maybe a high school hockey program there would be some of this sort of me too affect that we could have with this.

Rick Stenseth replied that is a valid question. My response in being involved in this industry for 30 some years, the industry has never seen anything like this, 20,000 in one place, the tailgating aspects. If another organization outside of a collegiate one, which does have kind of closed potential pool, that they could take advantage of it. High schools do it now and other organizations are allowed to do it under local permits, there are not even coming close to this \$4000 cash thing. Potentially down the road of course they could, but my perspective would be it would take some quite some time for them to develop a program that pushes there revenues to that level.

Chairman John Andrist if the committee were so inclined to want to confine this even more it would be no concern to you if they confined it to 50/50 raffles? Is that right or do you do other raffles? **Rick Stenseth** replied I don't see any issue with defining it even further. **Chairman John Andrist** replied I don't know if that would be the committee's choice or not, but this speaks to raffles so it would be every kind of raffle. **Rick Stenseth** replied our issue is strictly with the 50/50 and we don't have any intention of doing something else, however, as you say if there is an open door possibility there might be a more regular raffle that people can try to take advantage of so we would have no issue with the more restrictive language.

Senator Judy Lee it's kind of the reverse, why do we care? Why would we restrict this at all? We're not expanding gaming. I agree it's unlikely that will be another big confined situation the same as the Team Makers have. I really don't know. I wonder if we want to even discuss as we move along, some of the other stuff that is in here because I can't imagine why we would be limiting it at all. I raise that rhetorical question.

Chairman Andrist asked would they care if they give cash or if they give a new car. **Senator Judy Lee** It's already in statute and what I am looking at and the language is not being changed is exchanging merchandize prize valued at not more than \$25,000 for a cash prize. When this statute was written \$25, 000 was a lot of money for a car. \$ 25,000 is

still a lot of money, but you don't buy a lot of car for it anymore. So the whole thing seems a little silly to me.

Rick Stenseth replied to Senator Lee. Last session we proposed a bill to raise the cash limit to \$10,000, seeing this problem on the horizon which now has become immediate. In discussion in the Judiciary Committee it was amended down to \$4000 because there was concern that by some members that we may be opening up a situation where we would have an ongoing raffle on a daily basis and compete with the lottery. There were some changes made to limit it in the past through the committee process. I don't know if those feelings would still be the same or not, but obviously as an operator we would just as soon see no and let the game go as it will.

Keith Lauer Director of the Gaming Division for the Attorney General's Office; See written testimony #2. Neutral position.

Senator Judy Lee asked Mr. Lauer was the original language in here which limits the cash, I don't get why it's okay to have all the merchandise and I am not trying to restrict that, but, did people start getting merchandise before more cash because merchandise wasn't limited and the cash was?

Keith Lauer replied in 1983 there was a \$5000 cash limit at that point in time. But, it was unlimited for merchandize prizes as long as long as it wasn't real estate. **Senator Judy Lee** asked if he meant \$500, not \$5000. He then replied \$500. **Senator Lee** asked why should we care if it's a necklace or a shotgun or a check. Do you know anything about that background? **Keith Lauer** replied the only reason that I have ever heard of why a cash limit was put on, was because of the daily lottery. If you ran a daily lottery, or the guys of a raffle, you could go out and sell as many tickets as you could on a pot for one individual day and then turn around and give half the money out. You would basically be running a lottery. They were concerned about organizations doing that on every single day.

Keith Lauer then shared with the committee the reference to the Public Spirited Organizations and counted out which ones would be eligible underneath this particular provision and there are eleven organizations and they all relate to the colleges and universities within North Dakota. Almost every one of them Minot State, Mayville, everybody's got their support groups and those are the ones that would be affected. Basically eleven organizations currently license that would fall under this category.

Chairman John Andrist: So there is a definition of qualifying for Public Spirited Organizations. **Keith Lauer** replied there is a definition for those. **Chairman John Andrist** asked Keith to tell our committee. **Keith Lauer** reading from the ND Century Code... A Public Spirited Organization according to the Century Code means an organization whose primary purpose is for scientific research, amateur sports competitions, safety, literary arts, preservations of cultural heritage, educational activities, educational public service, youth economic development, tourism, community medical care, community recreation and similar organizations which does not meet the definition of any other eligible organization, however, a nonprofit organization or group of people recognizes public spirited by governing body of city or county for obtaining a permit does not to meet this definition. There are other definitions of types of organizations public safety, fraternal and veteran's

organizations, religious organizations, this is kind of a catch all but then there is only eleven that primarily give their money for collegiate athletic activities.

Chairman John Andrist: So anybody could be a Public Spirited Organization really? **Keith Lauer** replied as of today there are eleven that qualify under this definition; the law changed there are actually 136 public spirited organizations. **Chairman John Andrist** is there an advantage to being declared a public spirited organization or are the laws generally different other than in this provision?

Keith Lauer replied no. There's 21 charitable organizations, 32 civic and service, 6 educational, 29 fraternal, 46 public safety, 136 public spirited, 3 religious and 59 veterans organizations, for a total of 332 organizations currently licensed.

Senator Judy Lee asked Mr. Stenseth do you do 50/50 raffles at every game? **Rick Stenseth** replied yes we do 50/50 at all home games, play-off games, at our home basketball games both men and women. **Chairman John Andrist:** Asked Rick Stenseth if they exceed more than \$4000 at the basketball games? **Rick Stenseth** replied not at this point. We're significantly less than that, but down the road with the new arena and more public support it is certainly possible.

Senator John Grabinger I know in Jamestown we have the gymnastics club that operates 50/50 raffle at the races. We have some pretty big events there with the Stampede and stuff. I don't know what the number are, but, are we restricting them at all? Do you know?

Keith Lauer replied they would still have the \$4000 limits so as long as they didn't sell more than \$8000 worth of tickets there wouldn't be a problem for them. There is a racetrack in Mandan and I've been there and there's a gymnastic group that does a 50/50 raffle there. When they give away their 50% usually it's less than \$1000 they give away in cash on a Friday night. **Senator John Grabinger** continued with the reason I asked that is I don't think they achieved that, but a portion of that money goes in to the prize fund for the racers. Well, it's kind of a 50-25-25 split if I understand it right. I am wondering if somebody decided to help out, it could be a large part.

Keith Lauer replied this would only effect collegiate athletic activities so, they would be limited and they could sell up to \$8000 and then if they went over that they would have to start issuing gift cards similar to what NDSU does now.

Senator Jim Dotzenrod the bill refers to a licensed organization, raffles that are conducted by a licensed organization and you gave us a list of 136 in the state but I think there are raffles that can be conducted on a one time basis by people that are not licensed organizations. I understand you can get a permit (example cited) so there are conditions under which you can have raffles that aren't done by a licensed organization. Would these same limits that we have in this section apply for those one time permit situations?

Keith Lauer replied you're correct. This particular provision would only apply to licensed organizations as public spirited. Those that get a local permit its' called and there are really two types of local permits, there is a charity local permit and there's a local permit. And you can do raffles under both of them. The charity local permit gives you one opportunity per year because it gives you some additional game types like poker. If you run poker under a

charity local permit, you're limited to \$12,000 a year in prizes total. But you're still restricted with a raffle under that to the \$4000 cash limit on a single day.

Chairman Andrist closed the hearing on SB 2311.

Senator Grabinger moved to approve the bill
Senator Sorvaag 2nd.

Committee discussion:

Senator Judy Lee, I plan to support the bill but I think at some point there is probably a time when we need to be looking at some of the rest of this. I just can't imagine why we restrict it so totally. Again we're trying to legislate what other people ought to do. Cash prizes do influence the success of some of these raffles as well. I recognize the charitable purposes and the good intentions of everybody whose doing these and at this point nobody else is as big as the, especially NDSU but the big universities. I think at some point we need to talk about the \$25,000 merchandize limit.

Senator Anderson added that we need to keep in mind the state's interest here and taxes that they get from the lottery. Of course I think some of the concern is that is somebody runs a big lottery on a daily basis; that may take away from the tax free income that we get. That would be where I see most of the concern coming in here.

Vice Chairman Ronald Sorvaag I think the thing that's got to be kept in mind is that we're not expanding gaming, we're not adding gaming. All we're doing is changing how the awards or winnings can be distributed in one specific area. (Example cited)

Senator Judy Lee I think the limitation should be on the number of times it can be done, not that they shouldn't be able to do it at every home game and play-off game and all of that, but not daily. I think that is where the limiting factor would prevent competition with the state lottery. Regulating it so that we don't intrude on the taxes collected by the lottery is one thing, but to tell charitable organizations of one sort or public spirited organization of one sort or another whether they have to give merchandize or cash is kind of silly.

Senator Ron Sorvaag That is the question I had earlier because I was thinking it should be limited to once a week, but that doesn't work because they are doing it at basketball. But I do know we have a motion but I guess that is a thought and it just came to me. Would it have made sense to limit it to when their activities, so they just cannot decide to make it a constant, they can only sell them. How would you word that only when an event is taking place?

Senator John Grabinger If it becomes a problem I think we can address that in 2 years. I really don't foresee that being a problem. I think at this point.

Role Call Vote : 6 Yea, 0 No, 0 Absent
Carrier: Senator Ron Sorvaag

REPORT OF STANDING COMMITTEE

SB 2311: Political Subdivisions Committee (Sen. Andrist, Chairman) recommends DO PASS (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2311 was placed on the Eleventh order on the calendar.

2013 HOUSE POLITICAL SUBDIVISIONS

SB 2311

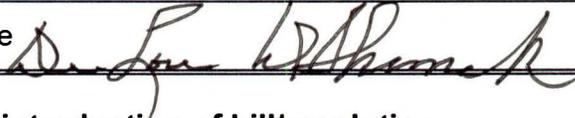
2013 HOUSE STANDING COMMITTEE MINUTES

House Political Subdivisions Committee
Prairie Room, State Capitol

SB 2311
March 14, 2013
Job # 19912

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Relating to cash prize limits for raffles.

Minutes:

Testimony 1, 2

Chairman N. Johnson opened the hearing on SB 2311.

Senator Sorvaag: Introduced the bill. It is trying to increase the amount of cash awards that are being done. What is happening is they are doing the 50/50 money drawings are the games and they are taking in a lot of money. They are fund raisers for athletic organizations. They are limited to \$4000 a day cash awards and no prize can be more than \$4000 cash. They are taking in a lot of money. They are also running into the problem that they have to hold out so much for IRS. All we are dealing with is how the prizes can be awarded. We are not adding or changing the games. It is being limited to the public spirited organizations for amateur collegiate athletics. There are eleven organizations that are licensed to do that in the state. That is obviously the eleven colleges.

Rep. Koppelman: I understand the idea here. Might there be other organizations that would do similar things, but not for collegiate athletics. Are we being too narrow by just allowing one group to exceed the limit?

Senator Sorvaag: We picked those because it would take a pretty major event. Yes, it is narrow, but we could not pick an event. We never get the high school events up to these dollar amounts. It was discussed in the Senate.

Rick Stenseth: Team Maker Club, Inc. (See testimony #1) 04:45 - 8:15

Mike Donahue, North Dakota Wildlife Federation: We support SB 2211. We would like to ask for an amendment. We would like to ask that on line 11 that you change the amount from \$25,000 to \$45,000. The vehicles are so expensive now so this is to cover that amount.

Rep. A. Looyesen: Do you know when the \$25,000 was put in?

Mike Donahue: No I don't.

Rep. Klemin: So when someone has a merchandise prize valued at not more than \$25,000 for a cash prize. So when someone has a merchandise prize valued at \$25,000; what kind of cash prize do you get when you exchange? Is it less than \$25,000?

Mike Donahue: The winning ticket for the last six or seven years and they can ask for cash in lieu of the vehicle. Over the last six years that amount has been \$15,000 in exchange for not taking the vehicle.

Rep. Klemin: So it is a \$25,000 you are internally limiting them to a \$15,000 cash prize.

Mike Donahue: That is the offer we make. So far the winner has opted to take the cash. In sales we think if we could get this up to where it is a pickup truck I think they will start taking the truck again.

Chairman N. Johnson: Would you tell me the name of the organization again?

Mike Donahue: North Dakota Wildlife Federation. We have 1200 members around the state.

Rep. M. Klein: So you are saying if we raise that to \$45,000 this would take care of the vehicle thing instead of what you are faced with now?

Mike Donahue: Yes it would. The way the chair does it for us he goes to three dealerships and bid them out and you tell me what I get for this amount of dollars. We try to go under what the current retail value is and they usually help out by giving us a good deal.

Rep. J. Kelsh: If we went to \$45,000 and bought a vehicle for that; what would you offer for cash then?

Mike Donahue: What would you offer for cash then? It would probably \$20-25,000 range.

Rep. L. Meier: Usually if you go through a dealership bids; won't they come down some because you are advertising for them?

Mike Donahue: Yes we thank the dealerships for helping us out on the bid and all that. We go to them and tell them what we can do with the amount we have.

Rep. L. Meier: Then you advertise for them too.

Mike Donahue: No we don't have the vehicle there. We offer three vehicles and you can select the one you want. The winner is responsible for the taxes and title.

Rep. L. Meier: So the winner can pick?

Mike Donahue: For example this is one of our raffle tickets for an upcoming event and all it says is first prize your choice is a 2013 Chevy Cruz or a 2013 Dodge Dart or a 2013 Ford Focus. No vehicles are present at the event.

Rep. Klemin: I have noticed they also say you get a certain amount of cash prize. You don't mention that on your ticket?

Mike Donahue: We also offer that on here, but not at the first prize.

Rep. Klemin: I guess sometimes I have seen on raffles for vehicles where it says you can have the vehicle or you can have X amount of cash and you leave that cash to subsequent negotiation instead?

Mike Donahue: We use to advertise that on our ticket but then we found out we could not do that. That is the way the law reads. We were audited 3-4 months back and the Attorney General's office. We did well on the audit.

Chairman N. Johnson: Have you talked to the bill sponsors about putting this amendment on?

Mike Donahue: Yes we have. We missed this on the Senate side.

Chairman N. Johnson: I think something our committee will have to decide is if we add something like that one; if that would be something that would help the bill pass or defeat the bill.

Rep. Beadle: When it says on line 10 and 11 it says an exchange of merchandise prize valued not more than \$25,000. Who basis the value of this?

Mike Donahue: The value of the item is the retail value of it that we get from the dealer.

Rep. Beadle: So the value you would be limited to would be like the manufactured standard retail price?

Mike Donahue: The value is essentially what our top dollar is to buy and if they give us a discounted price off the vehicle for what the manufactured suggested retail is that helps us out, but they don't have to do that.

Rep. Koppelman: Another way to do this is altering the description in the last line so it is not so narrow so organizations like yours might be able to take advantage of what these other groups are asking for. Would that be an option for you?

Mike Donahue: I have not thought that through and have not looked at that.

Rick Stenseth: I feel I understand what they are trying to do. I would caution adding it on there. If you decide to make additional changes I hope they are well considered because I would hate to see anything stop the progress of the bill.

Rep. Koppelman: If we would change the narrow description that is in the bill now of the kind of organization that could take advantage of this that might suffice. You don't think you are the only kind of organization that people are supportive of; do you?

Rick Stenseth: No absolutely not. I think that your change that you suggested is the better way to go if you chose to amend as opposed to changing that dollar limit because what we are proposing doesn't change any dollar limits. It doesn't expand anything anymore.

Opposition: None

Neutral:

Keith Lauer, Director of Gaming, Attorney General's office: Went over the outline. (See testimony #2) 22:27 - 25:14

Rep. Koppelman: What is the legal definition of a public spirited organization?

Keith Lauer: It is an organization whose primary purpose is scientific research; amateur sports competition, safety, literary arts, preservation of cultural heritage, educational activities, educational public service, youth, economic development, tourism, community medical care, community recreation and similar organizations. There is something in statute that defines what public spirit is.

Rep. Koppelman: You talked about raffles beginning in 1976; were there no raffles allowed before that?

Keith Lauer: I think it was done illegally before that so that is when the first charitable gaming came into the state.

Rep. Klemin: Most of the time in the past these bills have gone to the judicial committee. This whole idea was to prevent daily raffles. There have been bills to amend this section before. This whole idea was to prevent daily raffles. Would this amend still have this apply?

Keith Lauer: The chances of having daily lottery by charities are slim because they can't compete with the power ball. I don't think there is going to be a charity that is going to be out there. The only ones under this bill that could do it and under the proposed bill would be those that are public spirited and support collegiate athletic activity so we are limiting that group to about 12 organizations that we current license that this bill would affect.

Rep. J. Kelsh: As I understood your explanation Mr. Donoghue's concern was actually answered. If they wanted to buy a pickup that was listed at \$38,000 and the dealer offered it for \$32,000 and the person didn't want it they could give them \$25,000 the way the law is now.

Keith Lauer: Actually there is an administrative rule that if they are doing this exchange of cash the law does not allow for prior cash prize of more than \$4,000. You can offer

merchandise prize up to \$25,000, but if you offered a \$40,000 vehicle you would not be able to exchange that vehicle for cash because the value is more than \$25,000.

Rep. J. Kelsh: In the example I used which trigger is when do you figure the worth of it? What they paid for it or what it listed for?

Keith Lauer: I am not sure exactly what those organizations are listing. In most cases they are listing the manufacture suggested retail of the vehicle. As soon as you drive it off the lot it is not worth that.

Rep. Klemin: If we change this to more than \$45,000 then according to that administrative rule

Keith Lauer: Under the current statue if they are going to consider offering cash and we have this provision they have to have some kind of arrangement with those dealerships that yes we can actually get these cars and if they are offering \$38,000 or \$40,000 vehicle it better be that or what is going to end up happening is they are going to get into a law suit with the charity because of advertising something that they can not get.

Rep. Klemin: Let's go back over the issue of administrative rule. So who changed this to not more than \$45,000; according to administrative rule as I understood you to say, they couldn't allow an exchange of that merchandize for cash for more than \$25,000. Is that right?

Keith Lauer: Yes under the current statue if they are going to consider offering cash up to \$25,000 they could not offer a vehicle for more than \$25,000. There is a provision in state law that say on not more than two occasions per year at the request of the winning player an organization may make that decision. You cannot offer something that you cannot give. This gives the organization an out if the winner does not want the merchandise.

Hearing closed.

Chairman N. Johnson: We will hold this one.

Rep. Klemin: I am not all that enthused about that sort of thing because it is pretty easy to get a lot of \$25,000 vehicles if that is a concern.

Rep. Koppelman: That could endanger the passage of the bill and I think that is true because it looks like an expansion of gambling and it probably is. This is a very narrow type of organization. I am wondering if for a public policy matter if we want to select that narrowly defined group or if we are going to say public spirited organizations can do this.

Rep. L. Meier: I think it would be a good idea in the next session if that individual would want to probably come forward with his own bill.

Rep. J. Kelsh: Discussed sportsman wants pickups and we won't get much of a pickup for \$25,000.

Rep. M. Klein: I don't think at this time we should consider changing that and doing an amendment without a hearing on this thing. It will get major discussion on the floor with expanding gambling etc. we will jeopardize the whole system.

Rep. Hatlestad: It is basically a marketing ploy. If we want to allow the market then we have to change the numbers.

Rep. Toman: I don't know if this limits them. They could offer \$45,000; they just can't offer it for exchange. So you either take it or leave it, right?

Rep. Beadle: Since the valuation is above that then they can't do it for the \$25,000 so you can't do the above and just say your cash is less. That didn't work since the wording in current statute it can't prize in lieu of cash that is valued over \$25,000.

Rep. Klemin: I wanted to address the issue as to whether we should open this up to other organizations. Public spirited organizations can include such clubs as rodeo or a neighborhood trying to promote something in that part of town. I would have a real problem opening this up to any public spirited organization. I don't have a problem with the way it is written now.

Chairman N. Johnson: I am getting a sense we probably don't want to mess with it.

Do Pass Motion Made by Rep. A. Maragos; Seconded by Rep. A. Looyen

Rep. Beadle: I would prefer the bill if it was amended to have the higher dollar threshold to allow for some of the other exemptions or just open it up. I will support the bill the way it is.

Vote: 12 Yes 3 No 0 Absent Carrier: Rep. A. Looyen

Closed.

Date: 3-14-13
 Roll Call Vote #: 1

**2013 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 2311**

House Political Subdivisions Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Rep. Maragos Seconded By Rep. Looyen

Representatives	Yes	No	Representatives	Yes	No
Chairman Nancy Johnson	✓		Rep. Ben Hanson	✓	
Vice Chairman Patrick Hatlestad	✓		Rep. Kathy Hogan	✓	
Rep. Thomas Beadle	✓		Rep. Jerry Kelsh	✓	
Rep. Matthew Klein		✓	Rep. Naomi Muscha	✓	
Rep. Lawrence Klemin	✓				
Rep. Kim Koppelman		✓			
Rep. William Kretschmar	✓				
Rep. Alex Looyen	✓				
Rep. Andrew Maragos	✓				
Rep. Lisa Meier	✓				
Rep. Nathan Toman		✓			

Total (Yes) 12 No 3

Absent _____

Floor Assignment Rep. Looyen

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

REPORT OF STANDING COMMITTEE

SB 2311: Political Subdivisions Committee (Rep. N. Johnson, Chairman) recommends **DO PASS** (12 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING). SB 2311 was placed on the Fourteenth order on the calendar.

2013 TESTIMONY

SB 2311

TESTIMONY ON SB2311

On behalf of Team Makers Club, Inc., we offer this written testimony as documentation of our oral presentation before the Senate Political Subdivision Committee.

Mr. Chairman, Members of the Committee;

SB2311 is an amendment to the section of the Code that allows the conduct of Raffles by licensed charitable gaming operators. This particular language is in reference to the popular 50/50 Raffles conducted by our organization.

This change would allow us to pay a winning player up to the entire amount of the prize in cash. The amended language also limits this exemption to those public-spirited organizations who specifically conduct Raffles that support amateur collegiate athletics.

There are two basic reasons for this proposed change. Both of these are due specifically to the growth in popularity and participation in the 50/50 Raffles we conduct at NDSU football games. First is to provide the winner of a raffle more of the prize in cash and secondly to be in compliance with both IRS regulations and North Dakota Law and Rule.

Currently we are allowed to pay a maximum of \$4,000 in cash to a raffle winner. The Attorney General's Office, along with Council, have determined that any amount withheld for the IRS be considered part of the cash amount of the prize as a player may receive a refund (cash) once an annual return is filed. Thus the majority of the cash amount is deducted from the prize as IRS withholding, which is required at 25% of the prize (28% for backup withholding).

In addition to making the cash payout amount greater on behalf of the winner, the required IRS withholding is in conflict with North Dakota Law and Rule should the prize amount exceed \$14,200 (28%) or \$16,000 (25%). This past year we had prizes which did surpass the \$14,200 number and had a number of prizes very close to the \$16,000.

This is not an expansion of gaming. The 50/50 raffles referenced are all ready allowed by Law and have been operating successfully for the past number of years. They are an excellent funding tool for our organization and have not reached their potential. There are about a dozen organizations that could be affected by this change, all involved with supporting ND colleges and their athletic programs.

We ask that you support the proposed language addition. Not only to make raffles better from the player perspective, but in order to keep organizations from being forced to break either IRS Rules or ND Statutes.

Thank you for your time and consideration.

Rich Stenseth

Political Subdivisions Committee
Senate Bill No. 2311
History of Raffle Law Changes
February 7, 2013

1977

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

1983

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

1989

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

2005

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

2007

The single cash prize limit of \$1,000 was increased to \$4,000 per day and the daily cash prize aggregate for raffles was also increased to \$4,000. A provision was added allowing organizations on not more than two occasions per year, at the request of the winning player, to exchange a merchandise prize valued at not more than \$25,000 for a cash prize.

11

TESTIMONY ON SB2311

On behalf of Team Makers Club, Inc., we offer this written testimony as documentation of our oral presentation before the House Political Subdivision Committee.

Mr. Chairman, Members of the Committee;

SB2311 is an amendment to the section of the Code that allows the conduct of Raffles by licensed charitable gaming operators. This particular language is in reference to the popular 50/50 Raffles conducted by our organization.

This change would allow us to pay a winning player up to the entire amount of the prize in cash. The amended language also limits this exemption to those public-spirited organizations who specifically conduct Raffles that support amateur collegiate athletics.

There are two basic reasons for this proposed change. Both of these are due specifically to the growth in popularity and participation in the 50/50 Raffles we conduct at NDSU football games. First is to provide the winner of a raffle more of the prize in cash and secondly to be in compliance with both IRS regulations and North Dakota Law and Rule.

Currently we are allowed to pay a maximum of \$4,000 in cash to a raffle winner. The Attorney General's Office, along with Council, have determined that any amount withheld for the IRS be considered part of the cash amount of the prize as a player may receive a refund (cash) once an annual return is filed. Thus the majority of the cash amount is deducted from the prize as IRS withholding, which is required at 25% of the prize (28% for backup withholding).

In addition to making the cash payout amount greater on behalf of the winner, the required IRS withholding is in conflict with North Dakota Law and Rule should the prize amount exceed \$14,200 (28%) or \$16,000 (25%). This past year we had prizes which did surpass the \$14,200 number and had a number of prizes very close to the \$16,000.

This is not an expansion of gaming. The 50/50 raffles referenced are all ready allowed by Law and have been operating successfully for the past number of years. They are an excellent funding tool for our organization and have not reached their potential. There are about a dozen organizations that could be affected by this change, all involved with supporting ND colleges and their athletic programs.

We ask that you support the proposed language addition. Not only to make raffles better from the player perspective, but in order to keep organizations from being forced to break either IRS Rules or ND Statutes.

Thank you for your time and consideration.

Political Subdivisions Committee
Senate Bill No. 2311
History of Raffle Law Changes
March 14, 2013

1977

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

1983

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

1989

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

2005

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

2007

The single cash prize limit of \$1,000 was increased to \$4,000 per day and the daily cash prize aggregate for raffles was also increased to \$4,000. A provision was added allowing organizations on not more than two occasions per year, at the request of the winning player, to exchange a merchandise prize valued at not more than \$25,000 for a cash prize.