

2015 SENATE JUDICIARY

SB 2099

2015 SENATE STANDING COMMITTEE MINUTES

Judiciary Committee
Fort Lincoln Room, State Capitol

SB 2099
1/14/2015
21936

- Subcommittee
 Conference Committee

Committee Clerk Signature



Minutes:

1

Sen. Luick: We will open the hearing on SB 2099.

Sen. Armstrong: This bill came to me from an owner/operator of the Dickinson Eagles Club. I am the president of the Dickinson baseball club. We a non-profit that solicits funds to keep our program running. One of the ways to earn money is to sell World Series pools and things of that nature. Currently, the law states that you can only buy a \$5.00 square in a sports pool. For a charity that is running an event, quite frankly is running one of these pools, it is simply more work than it is worth to do, to sell only a \$5.00 square. So often times we will sell five different squares. I think the bill has merit. My understanding that this was put in place actually at the same time where the maximum bet in Black Jack was \$5.00. Currently the maximum bet in black jack is \$25.00. A hand of black jack takes about 25 seconds to play and you can lose \$25.00. A sports pool, at the very least, takes as long as an entire football or baseball game, etc. You definitely get more bang for your buck at the max. bet. This will help out charities to raise money. It will also help charities compete against the less than kosher or legal sports pools that happen all over this country all the time, all of which are significantly higher for the most part, been either \$5.00 or \$25.00. You could still sell \$5.00 bets; this would just allow charities and non-profits to sell a \$25.00 square for whatever sports pool they are doing.

Sen. C. Nelson: The majority leader commented the other evening that he was pressured into buying \$50 sports pool, three or four times in a row. Was he illegal?

Sen. Armstrong: No, probably not. A lot of this turns into legal fiction because if you are going to run these things, we will sell five different squares to somebody so they can win the first, second, third or fourth quarter. All of these run through the Attorney General's office. You have to file them and have them certified.

Sen. Grabinger: How come on line 8, the amount of prizes may not exceed 90% of the gross proceeds. Why do we put that on there?

Sen. Armstrong: The reason that goes in there is because there has to be a charitable reason to run it. At the very least, the charity gets 10% back.

Sen. Grabinger: We're going to make sure of that.

Sen. Armstrong: That is current law now. You can't run charitable sports pool and donate 100% of the proceeds, because then the charity isn't making any money.

Sen. Grabinger: Why not 95%.

Sen. Armstrong: I don't know the history of why that number was chosen. If you sell enough of them, if you sell \$10,000 worth of sports pool, then the prizes get dealt out for \$9,000, but the charity still makes \$1,000.

Sen. Grabinger: I don't know why we are setting the limit to determine how much they are going to make.

Sen. Armstrong: Most of them are less than that. We do ours at 75%. There are a lot of 50-50 out there because it is still a donation to the cause. At the maximum level, the charity has to at least make 10% of what you sell.

Sen. Luick: On the bottom, line 7, why is it that it is only for professional sports.

Sen. Armstrong: I think there was a hesitancy to gamble on college sports. The single biggest sports pool that isn't run through charitable gaming is the NCAA basketball tournament and if the committee would want to address that, I would be comfortable with that too; we were just trying to make a real, small clean way to try and get this current with the other gambling that occurs now. We weren't trying to get into any policy issues, just raise the limit to be corresponding to what can be done with black jack.

Sen. C. Nelson: Are there limits there, no controls on raffles, just the sports pool.

Sen. Armstrong: Yes. You could do a 50-50 sports pool. That would be something you could completely do. You just have to make sure that it is 90-10.

Sen. Luick: Thank you. Further testimony in support.

Sen. Armstrong: Further testimony in support. Testimony in opposition. Neutral testimony.

Deb McDaniel, Director of Gaming Division, Office of Attorney General: Neutral, informational purposes (see attached 1).

Sen. Luick: Are the taxes that are collected on this equivalent to the same as the other pari-mutuel betting, a quarter % for 1%.

Deb McDaniel: One percent on the gross up to 2.25%, depending on the organization's gross proceeds.

Sen. Luick: Then it's higher than para-mutual betting.

Deb McDaniel: Pari-mutuel is a separate entity. You would have to check with the Racing Commission to check on that. However, with sports pools there is a federal excise tax and an occupational tax that organizations are supposed to be paying also federally on sporting wagers. This might help organizations defray that cost.

Sen. Armstrong: Thank you. Any further testimony. We will close the hearing. What are the committee's wishes in regard to SB 2099?

Sen. Grabinger: I move a Do Pass.

Sen. Luick: Second the motion.

6 Yes 0 No 0 Absent

DO PASS

CARRIER: Sen. Grabinger

Date: 1/14/2015
Roll Call Vote #: 1

2015 SENATE STANDING COMMITTEE
ROLL CALL VOTE
BILL/RESOLUTION NO. 2099

Senate JUDICIARY Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar

Other Actions: Reconsider _____

Motion Made By Sen. Grabinger Seconded By Sen. Luick

Senators	Yes	No	Senators	Yes	No
Chairman Hogue	✓		Sen. Grabinger	✓	
Sen. Armstrong	✓		Sen. C. Nelson	✓	
Sen. Casper	✓				
Sen. Luick	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Sen. Grabinger

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

REPORT OF STANDING COMMITTEE

SB 2099: Judiciary Committee (Sen. Hogue, Chairman) recommends DO PASS
(6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2099 was placed on the Eleventh order on the calendar.

2015 HOUSE GOVERNMENT AND VETERANS AFFAIRS

SB 2099

2015 HOUSE STANDING COMMITTEE MINUTES

Government and Veterans Affairs Committee Fort Union, State Capitol

SB 2099
3/20/2015
25220

- Subcommittee
 Conference Committee

Amanda Muschia

Explanation or reason for introduction of bill/resolution:

Relating to sports pools

Minutes:

Chairman Kasper: Called the hearing on SB 2099

Senator Armstrong: This bill was brought to me by a local nonprofit in Dickinson asking to raise the amount you can bet per square in a sports book from \$5 to \$25. Essentially, the bill will allow people to continue to do these without finding creative ways around them. I run a World Series pool for our local baseball club and you can only do \$5. We end up doing 4 boards for \$20 and 5 for \$25. It is nice to do it now because we have the NCAA bracket tournament going on and I will admit I am involved in four or five of them. Five dollars is a diminimus amount and it essentially becomes to the point where charities who do these things to raise money have quit doing them because it is more problematic than it's worth. Twenty-five dollars is quite frankly the maximum bet at a black jack table and you can lose \$25 at a black jack table in 15 seconds, so at least if you're buying a board for one of the others it takes at least as long as the game goes to do it and it is a good way for charities to raise money without asking people for money. Essentially they give 50/50 back to the person who wins or keeps 40% for the charity. It is a more user friendly way for these nonprofits to raise money and people have a chance to win something. It has never been raised and we wanted to raise it to the maximum hand of black jack.

Representative Karls: You assume we all know what sports pools are. Could you explain?

Senator Armstrong: In one of my day jobs I am the president of the Dickinson baseball club and we are nonprofit so we harass private businesses for money all the time. One of the ways we do this is that we do a World Series board where you get assigned numbers and if the final game is 4-3 then someone wins and you buy a square. We do them by inning and by game. For an NCAA tournament bracket you do it for \$25 and the money goes to charity and you fill it out and sign a square system. They do them for football, basketball...

Representative Karls: It's not in a school. Where is it?

Senator Armstrong: They come to you with a board and ask you if you want to join the Monday Night Football Board and if you join they give you your numbers and you get your sheet back. When the game is played you know if you win or lose then.

Representative Karls: Is this a charitable gaming in a bar thing? Is it something you keep in your pocket?

Senator Armstrong: The bars don't do them like that. You have to have a charitable gaming license to do this. We do all the work. We put the boards together. We sell the boards and then we provide the people who bought the boards with the numbers before the game ever starts. That's how we do baseball. You don't pick your own. For an NCAA bracket you fill it out. It depends on the sport.

Representative Schneider: Do you think we need an emergency clause to cover us from March Madness?

Senator Armstrong: The charities who do it right and follow the rules, and go through the gaming, are doing these for \$5. I would hesitate to say that you would be hard pressed to go to a sports bar in ND that's not. These are not bar pools because those don't go through any of that. Our private pools are nonprofits who go through the gaming and licensing process. They follow the rules.

Representative Schneider: Does the house of representative have one of those licenses? We are all pretty engaged here.

Senator Armstrong: I think that exemplifies the silliness of the \$5 max that is in the statute now.

Chairman Kasper: A board has squares and so you randomly select your spot. After the whole board is filled with names they will put the numbers. You sign your name and then get notified how the board looks at the end.

Representative Amerman: It says for professional sports only. Is that how you want it? Is that how it is in law?

Senator Armstrong: There has been a lot of discussion on betting on college sports and I think it is a good bill. I don't want to muddy the waters with college athletics.

Representative Wallman: I was thinking my kids wouldn't be able to swim at south high any more. So that how the learning curve is for me here. What is the annual revenue/proceeds for the Dickinson baseball club from this activity?

Senator Armstrong: We did Sunday night football, the Super Bowl and the World Series but now we quit doing the football ones because they were more hassle than they were worth. On every pool we usually make about \$1500 on a pool and we pay out about 2000. We pay out 60% and keep 40%. That is totaled everybody when distributed.

Representative Wallman: So you don't have a figure off the top of your head for the annual gross revenue for your club?

Senator Armstrong: Gross proceeds total?

Representative Wallman: Yea

Senator Armstrong: We raise about \$180,000 every year

Representative Wallman: So this would be a 5 fold increase. Am I calculating that right?

Senator Armstrong: On a sport pool we raise 1500 about a year and total we raise 180,000

Representative Karls: Is this in lieu of doing something like selling raffle tickets where you first need to get some sort of license?

Senator Armstrong: It is in lieu but you have to get a license to do this to.

Chairman Kasper: The current law is professional sport only? It would appear to me that NCAA pools do not fall under professional sports.

Senator Armstrong: They do not

Chairman Kasper: So this would not impact the NCAA sport or any other nonprofessional sport.

Senator Armstrong: That is why I thought it was funny we do it during this because I have a sneaking suspicion that this week is one of the largest bidding weeks across the country but no nonprofits can't do NCAA brackets.

Chairman Kasper: So we have to continue the current practice for the NCAA and others like it and this would be only professional sports.

Senator Armstrong: See no evil, hear no evil

Chairman Kasper: Do evil

Neutral-

Deb McDaniel: I am the director of the gaming division for the attorney general's office. The NCAA betting is illegal in the state of ND. Just because people are doing that does not mean that it is legal. This bill is only increasing the wager for a single square from \$5 up to \$25. Most boards right now are sold at \$5 per square but they can be sold for less. Just because you raise it to \$25 doesn't mean that they all will be. You won't have a 100 square sports pool either. It would probably be closer to 20. It is for professional sports only. We try to monitor that. Licensed organizations we make sure they do not conduct illegal betting but outside of licensed charitable organizations it is not our scope. Local permit holders who are only governed by the local authorities can also conduct these sports pools. You may

have local entities conducting sports pools along with licensed organizations. Licensed organizations are who we can regulate.

Representative Wallman: Is there something in law that says the maximum the organization is allowed to keep of the revenue?

Deb: They can only give away 90% of their gross.

Representative Wallman: There is nothing that says they can't keep 90 and give away 10?

Deb: Correct. In the total revenue for the fiscal year of 2014, there were only 620 boards actually played. We project that the estimate of gross proceeds per biennium will only be 162,000 and the total charities net from this increase will be maybe 5660 in the biennium. The increase in gaming tax is only going to about 2000 per biennium.

Representative Johnson: I think this is a little self-regulating because if you have a sports pool and you only payout 10% no one will buy a square.

Deb: Correct

Representative Wallman: Were your projections based on the 5 or 25 dollars.

Deb: It was based on the increase. We averaged it out using the 5 dollar squares right now.

Representative Karls: You license these boards which means you approve them. Do you collect the tax on them at the end?

Deb: For the 350 licensed gaming organizations in the state. The local permit holders we do not collect tax from. They are limited to giving out 12000 dollars on prizes per fiscal year. We don't regulate them. The local counties and authorities do.

Representative Karls: Do the 350 do the sports pools?

Deb: They can all do sports pools. Local permit holders can also do bingo and raffles but the licensed charitable organizations can also conduct 21 and pull tabs.

Chairman Kasper: This is not expanding what charitable gaming can occur in ND. This is just increasing the betting limit and people can wish to participate or not.

Deb: Correct. There is no indirect or direct effect to our office and no constitutional issue that we found.

Representative Dockter: I move a do pass

Representative Steiner: Second

Chairman Kasper: Deb, how long has this \$5 limit been available?

Deb: Historically it has been anywhere from 0-\$5 per square.

A Roll Call Vote Was Taken: Yes 8, No 4, Absent 2 (Koppelman, Mooney)

Motion Carries

Representative Dockter will carry the bill

Date: 3-20-15
 Roll Call Vote #: 1

**2015 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 2099**

House Government and Veterans Affairs Committee
 Subcommittee

Amendment LC# or Description: _____

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

Motion Made By Dockter Seconded By Steiner

Representatives	Yes	No	Representatives	Yes	No
Chairman Jim Kasper	X		Rep. Bill Amerman	X	
Vice Chair Karen Rohr		X	Rep. Gail Mooney		
Rep. Jason Dockter	X		Rep. Mary Schneider	X	
Rep. Mary C. Johnson	X		Rep. Kris Wallman		X
Rep. Karen Karls		X			
Rep. Ben Koppelman					
Rep. Vernon Laning		X			
Rep. Scott Louser	X				
Rep. Jay Seibel	X				
Rep. Vicky Steiner	X				

Total (Yes) 8 No 4

Absent 2

Floor Assignment Dockter

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

REPORT OF STANDING COMMITTEE

SB 2099: Government and Veterans Affairs Committee (Rep. Kasper, Chairman)
recommends **DO PASS** (8 YEAS, 4 NAYS, 2 ABSENT AND NOT VOTING).
SB 2099 was placed on the Fourteenth order on the calendar.

2015 TESTIMONY

SB 2099

1/14/2015

#1-1

+SB 2099 Raise maximum wager for a sports pool from \$5 to \$25

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.

There is no direct or indirect effect on the Office and we see no constitutional issues with this bill.

Historically, the maximum wager for a sports pool has been \$5.

Sports pools may be conducted by licensed organizations and local permit and charity local permit holders. Local permit and charity local permit holders have no reporting requirements to our office.

For FY 2014, 620 sports pool boards were conducted by 32 out of approximately 350 total licensed organizations (these numbers do not represent local or charity local permit holders as again they have no reporting requirements). 85% of those boards were conducted with the maximum wager of \$5. These \$5 sports pools generated \$96,310 of gross proceeds out of the total reported amount of \$111,660 for the year. Gaming tax generated on all sports pool activity for the 2014 fiscal year was approximately \$1,340.

If enacted:

PER BIENEUM

Estimated increase in Gross Proceeds per Biennium =	\$162,000
Total to Charity (net proceeds) =	\$ 5,660
Estimated increase to General Fund in Gaming Tax	\$ 2,000

Thank you for your time,

Deb McDaniel, Gaming Director
Office of Attorney General

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