

2023 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1342

2023 HOUSE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee
Room JW327C, State Capitol

HB 1342
01/17/2023

Relating to the state gaming commission's rules on electronic pull tab games and deals at the end of a quarter.

Chairman Louser called to order 2:30 PM

Members Present: Chairman Louser, Vice Chairman Ostlie, Representatives Boschee, Christy, Dakane, Johnson, Kasper, Koppelman, Ruby, Schauer, Thomas, Tveit, Wagner.
Member Absent: Representative Warrey.

Discussion Topics:

- Tax reporting
- E-pull tab
- Decrease volume
- Technology impact
- Payout rate
- Comingle games
- State technological needs
- System updates

In favor:

Representative Steve Vetter, District 18 prime sponsor of the bill, #17481

Scott Meske, representing the ND Gaming Alliance #13738

Bill Kalanek, board member of Dakota Junior Golf Association ("DJGA") (no written testimony)

Patrick McCullen, Gaming Supplier (no written testimony)

Opposed:

Deb McDaniel, Gaming Division Director Office of the ND Attorney General, #17479

Chairman Louser adjourned the meeting 4:07 PM

Diane Lillis, Committee Clerk

2023 HOUSE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee Room JW327C, State Capitol

HB 1342
01/31/2023

Relating to the state gaming commission's rules on electronic pull tab games and deals at the end of a quarter.

Chairman Louser called meeting to order 3:56 PM

Members Present: Chairman Louser, Vice Chairman Ostlie, Representatives Boschee, Christy, Dakane, Johnson, Kasper, Koppelman, Ruby, Schauer, Thomas, Tveit, Wagner, Warrey.

Discussion Topics:

- Consistency
- Paper vs electronic
- Existing problems

Representative Koppelman moved a do pass.

Representative Schauer seconded.

Representatives	Vote
Representative Scott Louser	Y
Representative Mitch Ostlie	Y
Representative Josh Boschee	Y
Representative Josh Christy	Y
Representative Hamida Dakane	Y
Representative Jorin Johnson	N
Representative Jim Kasper	AB
Representative Ben Koppelman	Y
Representative Dan Ruby	N
Representative Austen Schauer	Y
Representative Paul J. Thomas	N
Representative Bill Tveit	N
Representative Scott Wagner	Y
Representative Jonathan Warrey	Y

Motion passes 9-4-1

Representative Koppelman will carry the bill.

Chairman Louser adjourned the meeting 4:07 PM

Diane Lillis, Committee Clerk

REPORT OF STANDING COMMITTEE

HB 1342: Industry, Business and Labor Committee (Rep. Louser, Chairman)
recommends **DO PASS** (9 YEAS, 4 NAYS, 1 ABSENT AND NOT VOTING). HB
1342 was placed on the Eleventh order on the calendar.

2023 SENATE JUDICIARY

HB 1342

2023 SENATE STANDING COMMITTEE MINUTES

Judiciary Committee
Peace Garden Room, State Capitol

HB 1342
3/20/2023

A bill relating to the state gaming commission's rules on electronic pull tab games and deals at the end of a quarter.

9:00 AM Chairman Larson opened the meeting.

Chairman Larson and Senators Myrdal, Luick, Estenson, Sickler, Paulson and Braunberger are present.

Discussion Topics:

- Charities
- Closing games
- Gaming regulation
- Gaming audits
- Accounting procedures

9:01 AM Representative Steve Vetter introduced the bill.

9:03 AM Scott Meske, Lobbyist, North Dakota Gaming Alliance, testified in favor of the bill and provided written testimony #25855.

9:07 AM Deb McDaniel, Director, Gaming Division, North Dakota Attorney General's Office, testified opposed to the bill and provided written testimony #25901.

9:31 AM Claire Ness, Chief Deputy Attorney General, North Dakota Attorney General's Office, spoke neutral on the bill.

9:44 AM Patrick McCollam, President, Charitable Gaming Distributors, testified in favor of the bill and provided written testimony #25838.

9:59 AM Chairman Larson closed the public hearing.

Additional written testimony:

George Zeller #25755

9:59 AM Chairman Larson closed the meeting.

Rick Schuchard, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Judiciary Committee
Peace Garden Room, State Capitol

HB 1342
3/20/2023

A bill relating to the state gaming commission's rules on electronic pull tab games and deals at the end of a quarter.
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10:14 AM Chairman Larson opened the meeting.

Chairman Larson and Senators Myrdal, Luick, Estenson, Sickler, Paulson and Braunberger are present.

Discussion Topics:

- Committee action

10:14 AM Senator Braunberger moved to Do Not Pass the bill. Motion seconded by Senator Myrdal.

10:15 AM Roll call vote was taken.

Senators	Vote
Senator Diane Larson	Y
Senator Bob Paulson	Y
Senator Jonathan Sickler	Y
Senator Ryan Braunberger	Y
Senator Judy Estenson	N
Senator Larry Luick	Y
Senator Janne Myrdal	Y

Motion passes 6-1-0.

Senator Braunberger will carry the bill.

This bill does not affect workforce development.

10:15 AM Chairman Larson closed the meeting.

Rick Schuchard, Committee Clerk

REPORT OF STANDING COMMITTEE

HB 1342: Judiciary Committee (Sen. Larson, Chairman) recommends **DO NOT PASS** (6 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). HB 1342 was placed on the Fourteenth order on the calendar. This bill does not affect workforce development.

TESTIMONY

HB 1342



Benefiting North Dakota Communities through Charitable Gaming

Testimony in SUPPORT of House Bill 1342

Chairman Louser and Members of the House Industry, Business and Labor Committee:
I'm Scott Meske, representing the North Dakota Gaming Alliance and on behalf of the 152 Members of the NDGA, we offer our support for House Bill 1342 which as Representative Vetter outlined, is an accounting measure for charitable gaming organizations relating to closing a game for reporting purposes.

I believe there are others in the room that will testify in favor also and can give you even better information from the perspective of the charity.

Within each E-Tab machine, there are up to 12 different games a player may choose to play. Each of those games operates independently. At the end of each quarter, they are required to completely close out each game and send a report to the Attorney General's office for tax purposes. The next cycle of the game then begins for the next quarter.

With today's technology, it is unnecessary to close the game. At the end of the quarter, each charity can simply print a report that provides the exact numbers needed to the Attorney General's office without going through the painstaking process of physically closing out each game. Furthermore, it also prevents the charities from taking a loss on that game should they close it and the jackpots in that game have already paid out.

In short, there is no reason to continue this process when the technology allows the exact information needed to be sent to the attorney general. If we pass this bill, this does not affect the tax revenue to the State or the revenues to the charities.



Benefiting North Dakota Communities through Charitable Gaming

The North Dakota Gaming Alliance respectfully asks that HB 1342 be given a DO PASS recommendation from this Committee to support to the hundreds of charitable organizations in our State.

Thank you.



Drew H. Wrigley
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#2

House IBL Committee
House Bill No. 1342
Relating to State Gaming Commission Authority
January 17, 2023, Room 327C

My name is Deb McDaniel, I am the Director of Gaming for the Office of Attorney General. I am here in opposition to House Bill 1342.

Should this bill pass as written there will need to be a fiscal note as my office will need another FTE and a complete computer re-write.

Electronic pull tabs were introduced in the 2017 session as paper pull tabs in electronic form. The state allows 18 other game types all closed and reported at the end of each quarter. E-tabs have been treated the same as paper pull tab reporting requirements.

With this change electronic pull tabs would need additional monitoring of state gaming stamps and reporting requirements. This would also require a complete overhaul of the existing gaming computer system. Changing the reporting requirement would no longer mimic pull tabs it would then need to be reclassified as an electronic game of chance and would more closely mimic slot machine play.

Paper pull tabs require two deals of pull tabs comingled and placed into play at the beginning of a quarter. Deals are added during the quarter as needed and all games must close and be reported at the end of the quarter. If there are remaining tickets these tickets are reported as unsold, and our office is able to verify the correct reporting of each deal of tickets with the state gaming stamp. It is the same for the electronic pull tabs. Deals are started at the beginning of the quarter and closed and reported at the end of the quarter. All other game types, Bingo, raffle activity, Club Specials, Tip, Seal, and punch Boards, Prize boards, Sports Pools, Twenty-One, Calcuttas, Paddlewheels and Poker are reported each quarter on a gaming tax return as required by NDCC 53-06.1-12. If this change is to take place electronic pull tab games would just continuously be played with only a snap-shot of activity at a certain time.

I also believe that this would be the incorrect section to require this activity, it should be placed under NDCC 53-06.1-08.2 or NDCC 53-06.1-12 as the Gaming Commission must adopt rules in accordance with chapter 28-32.

HB 1342

#1

Chairman Louser and the Industry Business & Labor committee,

My name is Steve Vetter, I represent district 18, eastern part of Grand Forks along the Red River. It has a little rural area going as far north as Manvel, ND.

This is a clean up bill for the charitable gaming community. Currently, at the end of each quarter the charities are required to physically close the E tab game and send in a report to the state regulators. However, through technology it is not necessary to shut the game down because the report can be generated electronically at any time without shutting down the game. It eliminates an unnecessary step as the report is the same without shutting down the game. Also more importantly, by shutting the game down prior to allowing it to complete, it can potentially cost the charity money and they would close a game at a loss. For example, if some of the winners have been awarded early in the game, they could have more paid out than paid in.

We don't want our charities to lose money as this would defeat the purpose of having charitable gaming.

I would ask you give this bill a Do Pass recommendation. I will stand for questions but there are experts that will testify after me that could give a better explanation of how everything works.

Greetings Honorable Senators (Representatives)

I bring my position to the discussion on allowing e-tab machine games to not be closed at end of quarter. My personal qualifications are a CPA for 35+years and a Gaming Manager for 20+ years.

- I can see the gaming industry position and also the Gaming Divisions of Attorney General's position on this issue.
 - The Gaming industry 'side of the coin' would like to not have to close out the games as it requires additional work to be performed during the closeout procedures and start-up of the new quarter.
 - The Gaming Division 'side of the coin' does not like this procedure as it will not allow proper control and review procedures to be applied without adding additional staff member(s).

My solution would be to 'allow', in the law, to not close out the quarter, for e-tabs ONLY, but for those organizations that do so, an additional 1% surtax would be charged on the tax return (**on ALL gaming conducted for the quarter based on Adjusted Gross Proceeds, not just e-tabs that are not closed**).

- The 1% surtax collected would go solely to the Attorney General's Gaming Division to provide funding for additional staff to properly oversee this change in accounting procedures that the gaming industry 'seemingly' wants.

This solution would allow the flexibility that is appears that the Gaming industry wants, but it would also provide funding for the work that is being 'transferred' from the gaming organizations to the Gaming Division.

- As an Optional method, it would not penalize the organizations that do not mind closing out the quarters, per current law and rules.
 - If the organization closed all games for the quarter, then the surtax would not apply.
 - If any games would not be closed, the surtax would apply.

I do realize that this position would be deemed as a proposed amendment, and I do apologize for any additional work that this may cause, if the position would be considered as a viable option for the committee.

Thank you for your time and consideration of my viewpoint.

George A Zeller

HB 1342

We Oppose 1342

Many sites end up negative when they are required to close all games at the end of the quarter. Letting the games play out could save them from taking a loss on those games. It should also reduce the number of gaming stamps that process through the system since only completed games will be closed, rather than closing every game each quarter.

We also have recommendations based on previous testimony given which will allow for the Department to fully audit the charities without the need to close the Electronic Pull Tab games.

Changes Proposed

1. Quarter End Reports would still need to be processed by each charity.
2. The Quarter End Report would contain all the information needed by the charities to process tax returns.
3. Instead of having the Closed Game Stamp Number List that is currently required we would propose having a Gaming Stamp Issued Page (Sheet 14) that has the perpetual list of stamp numbers issued and a stamp would not drop off the list until it has been reported as closed on a Quarter End Report.
4. Charities would have the option to close out a game title after a certain amount of time in play, for example after 30 days of play. They would need to close out all of the denominations of the same title at the same time.
5. If a game title is closed it would not be allowed to be put back in play for 30 days after closure.
6. Reports could include previous quarters' Adjusted Gross Proceeds for stamps that have not closed during a quarter perpetually until the stamp is closed.
7. Do not report the Detailed Game Payout information for each stamp number until the game is closed.

Closing the deals is an accounting issue, not a material issue of what Electronic Pull Tabs are. Allowing for E-Tabs not to close does not change anything about the makeup of the E-Tabs or make them play any differently than paper pull tabs. Please oppose HB 1342

Patrick



Benefiting North Dakota Communities through Charitable Gaming

Senate Judiciary Committee March 1, 2023 Testimony in SUPPORT of House Bill 1342

Madam Chair Larson and Members of the Senate Judiciary Committee:

I'm Scott Meske, representing the North Dakota Gaming Alliance and on behalf of the 152 Members of the NDGA, we offer our support for House Bill 1342 which as Representative Vetter outlined, is an accounting measure for charitable gaming organizations relating to closing a game for reporting purposes.

Within each E-Tab machine, there are up to 12 different games a player may choose to play. Each of those games operates independently. At the end of each quarter, they are required to completely close out each game and send a report to the Attorney General's office for tax purposes. The next cycle of the game then begins for the next quarter.

However, as the games are played, they may pay out at the beginning of the quarter, or at the end of the quarter, causing some smaller charities to be running in the red at reporting time. This bill allows the quarterly reporting to be done without closing out the game, giving the charities a chance to even out the total payouts as the games are played over time.

The technology would allow for the same quarterly report to be sent to the AG's office, without having to stop the individual game. Again, this allows the charity to be able to even out the overall payouts, regardless of when the players might hit a winning ticket.

The original quarter close requirements were designed before electronic pull tabs came onto the scene. To the charities, this is an accounting issue that current technology allows, if we pass this bill. This does not affect the tax revenue to the State or the



Benefiting North Dakota Communities through Charitable Gaming

revenues to the charities. We are aware that the Gaming Division is concerned with the software needed to monitor this change. The ND Gaming Alliance supports Senate Bill 2281, which creates a technology fund generated from gaming revenues, for the purpose of updated hardware and software for the purposes of regulating the industry.

The North Dakota Gaming Alliance respectfully asks that HB 1342 be given a DO PASS recommendation from this Committee to support to the hundreds of charitable organizations in our State.

Thank you.



Drew H. Wrigley
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Senate Judiciary Committee
House Bill No. 1342
Relating to State Gaming Commission Authority
March 20, 2023, Peace Garden Room

My name is Deb McDaniel, I am the Director of Gaming for the Office of Attorney General. I am here to explain the consequences to House Bill 1342.

Should this bill pass as written there will need to be a fiscal note as the Gaming Division will need another FTE and a complete computer re-write it also leaves this game type un-auditable.

- Electronic pull tabs were presented to the legislators in 2017 under the premise that these are just another way to play paper pull tabs and would be conducted the same way, which for paper pull tabs includes commingling deals and closing at the end of the quarter. Allowing games to continue indefinitely moves toward slot machine play.
- These games need to be closed at some point so they can be accounted for in total and reported on a tax return, just as paper pull tabs are. The only way to audit the game is to close it to determine the actual adjusted gross proceeds total. Actual adjusted gross proceeds are then compared to total cash profit and actual bank deposit totals to determine any shortages.
- Simply generating a report does not provide final information on total activity for all deals downloaded. These games are commingled therefore there is no way to tell which gaming stamp/serial numbers are still in play and being carried into the next quarter. The final information for each prize paid, total prizes, and final game information is only available when each game is closed. Closing the games by the end of the quarter allows the audit of the activity to occur in total.
- The organizations only get charged for each ticket sold/played by a player. There is no cost to the organization for unsold tickets; even if a deal is automatically downloaded near the end of the quarter and a large amount of unsold remain. These games do not need to be designed with starting ticket counts of 15,000, manufactures could provide games with smaller ticket counts as options for organizations in smaller sites, the manufacturers/distributors have chosen to design them this way.
- There is no added cost to the organization by having to go to the site to close the games at the end of the quarter. The organization's employee/runner is required to go to the site at a minimum of every seven days to withdraw currency anyway for electronic pull tabs (and any paper pull tab devices at the site). The rules allow flexibility with closing electronic pull tab games anytime withing fourteen days from the end of the quarter. Generating the Closed Game Summary Report is just a "push of the button".

Electronic pull tabs were introduced in the 2017 session as paper pull tabs in electronic form. E-tabs have been treated the same as paper pull tabs for reporting requirements. The state allows eighteen other game types all closed and reported at the end of each quarter for auditing, reporting, and tax payment purposes.

With this change electronic pull tabs would need additional monitoring of state gaming stamps/serial numbers and reporting requirements. This would also require a complete overhaul of the existing gaming computer system. Changing the reporting requirement would no longer mimic pull tabs it would then need to be reclassified as an electronic game of chance and would more closely mimic slot machine play as games would be played over and over with no accounting.

Charitable gaming reporting is designed to be reported quarterly. All state paperwork, systems, and rules take this period as the basis on which all gaming regulation is based. Passing this bill would not only require the Gaming Division to ignore this important regulatory requirement for e-tabs, but would require organizations to likely double their e-tab paperwork, and create potential security risks due to the lack of digital e-tab inventory tracking that would occur. Currently, if issues arise we only need to audit one-quarter worth of activity to pinpoint issues. Allowing these games to not be closed could allow revisions to the code that could potentially influence payouts or the number of pull tabs in a deal. Having a quarter close protects players, organizations, and our office, allowing us to find issues faster and minimize potential damages.

Paper pull tabs require two deals of pull tabs comingled and placed into play at the beginning of a quarter. Deals are added during the quarter as needed and all games must close and be reported at the end of the quarter. If there are remaining tickets these tickets are reported as unsold, and our office is able to verify the correct reporting of each deal of tickets with the state gaming stamp/serial number. It is the same for the electronic pull tabs. Deals are started at the beginning of the quarter and closed and reported at the end of the quarter. All other game types, Bingo, raffle activity, Club Specials, Tip, Seal, and punch Boards, Prize boards, Sports Pools, Twenty-One, Calcuttas, Paddlewheels and Poker are reported each quarter on a gaming tax return as required by NDCC 53-06.1-12. If this change is to take place electronic pull tab games would continuously be played with only a snap-shot of activity at a certain time. This office would lose all audit function for this game type allowing games to be placed without notice and possibly without a state gaming stamp, games could be closed randomly with any unsold tickets unaccounted for, comingled tickets possibly never be reported, and games closed purposely without prizes paid out.

I also believe that this would be the incorrect section to require this activity, it should be placed under NDCC 53-06.1-08.2 or NDCC 53-06.1-12 as the Gaming Commission must adopt rules in accordance with chapter 28-32.