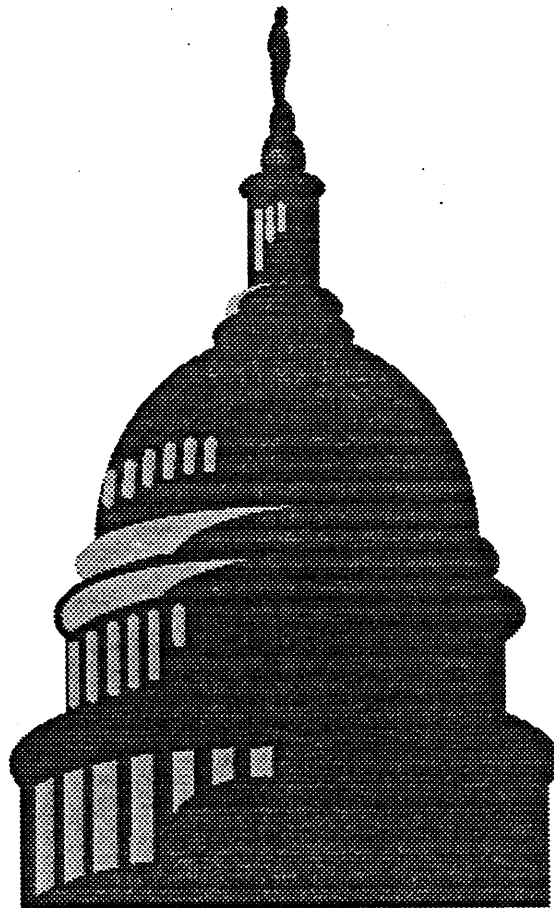


**REPORT OF THE INTERIM JOINT
COMMITTEE ON BUSINESS ORGANIZATIONS
AND PROFESSIONS ON REGULATION
OF CHARITABLE GAMING
(SB 321)**



**RESEARCH MEMORANDUM NO. 467
LEGISLATIVE RESEARCH COMMISSION**

May, 1994

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Prepared by:

Michael Greer

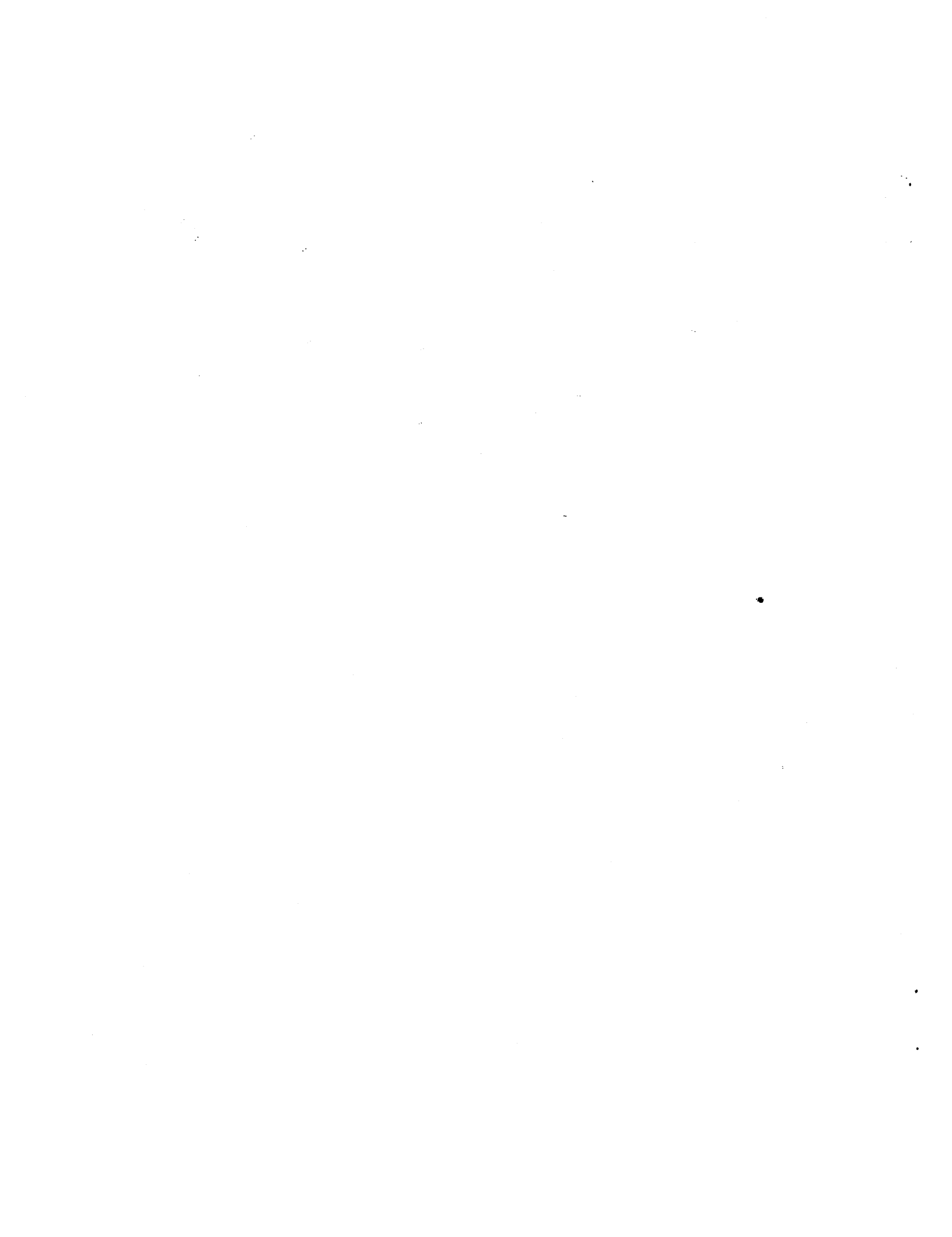
Research Memorandum No. 467

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MEMORANDUM

TO: Vic Hellard, Jr.
Director

FROM: Michael Greer, Committee Staff Administrator
Business Organizations and Professions Committee

SUBJECT: Study of Charitable Gaming Regulation -- SB 321

DATE: May 11, 1994

Legislation proposing to amend the Kentucky Constitution to legalize charitable gaming, House Bill 725, was enacted by the 1992 General Assembly. Another 1992 Act, SB 321, contained a provision that directed the Interim Joint Committee on Business Organizations and Professions to study alternative approaches to regulating charitable gaming, in anticipation of the passage of the constitutional amendment. The study was begun in early summer and completed in November, 1992. The report contained in this memorandum was approved by the full Business Organizations and Professions Committee on November 24, 1992, and submitted to the Legislative Research Commission in compliance with the legislative directive.

The constitutional amendment on charitable gaming was approved by the voters on November 3, 1992, by a 70 to 30 margin. Using the information developed through the study, the Business Organizations and Professions Committee immediately began working on enabling legislation. An initial working draft, 94 RS BR 160, was prepared and presented to the committee at its February, 1993, meeting. In March, the Legislative Research Commission approved a committee request to create a subcommittee to hold hearings on the draft. This

thirteen member subcommittee, chaired by Representative Bill Donnermeyer, met five times and on September 30, 1993, approved a final version of the draft. The bill was subsequently introduced in the 1994 Session by Representative Donnermeyer (House Bill 206), enacted by the General Assembly, and signed into law by Governor Brereton C. Jones on March 16, 1994.

I would like to take this opportunity to thank all the people who assisted in the conduct of the study and the development of the legislation. Research assistance was provided by Michael Meeks and Vida Murray of the BOP staff. The report was prepared by Sue Craft and Wilda Bond, and edited by Charlie Bush. A special thanks is in order to the many people whose testimony provided valuable insight with regard to the issues being addressed, and to the members of the Subcommittee on Charitable Gaming for their diligent efforts through long meetings to craft a viable piece of legislation.

BACKGROUND

Section 226 of the Kentucky Constitution forbids "lotteries and gift enterprises". Before the present Constitution was adopted (1891), the General Assembly could grant charters to private organizations to conduct lotteries to fund public works, such as roads and schools. But in the years just preceding the adoption of the current Constitution, a considerable amount of private gain was occurring from the lotteries. These abuses prompted the framers of the Constitution to include the very restrictive prohibition on lotteries found in Section 226¹.

Over the years, several attempts have been made to legalize charitable gaming in Kentucky. In 1952, a bingo bill was defeated in the House of Representatives. In 1970, a bingo licensing act was passed but was immediately challenged in court. The Court of Appeals, Kentucky's highest court at the time, ruled that bingo met the tests of a lottery and was therefore unconstitutional.² Kentucky Courts have consistently disallowed most forms of gaming, with no regard to type of organization conducting the gaming or the purpose for which the gaming is conducted.

There is one exception in gaming case law: pari-mutuel wagering on horse racing. In a 1931 case,³ the Court of Appeals ruled that pari-mutuel wagering involved an element of skill and therefore was not a lottery. In Otto v. Kosofsky, an argument was put forward that bingo was different from a lottery, but the Court did not accept it. Another form of legal gaming was permitted when the Constitution was amended in 1988 to allow the state lottery.

¹ *Changes in the 90's: Proposed Charitable Gaming Amendment*, Kentucky Legislative Research Commission, (Frankfort, KY., 1992.)

² Otto v. Kosofsky, 476 S.W.2d 626 (Ky. Ct. App. 1971).

³ Commonwealth v. Kentucky Jockey Club, 38 S.W.2d 987 (1931).

In 1980, a different approach was taken to legalizing charitable gaming. The General Assembly enacted legislation permitting charitable organizations meeting three tests to claim charitable gaming as a defense in any prosecution for gambling.⁴ To qualify, an organization had to have IRS tax-exempt status for five years, conduct the gaming with volunteers, and use the proceeds only for legitimate charitable purposes. In 1990, the law was amended to require charitable organizations to register with the county clerk and submit quarterly reports.⁵ Certain restrictions on the conduct of charitable gaming were also included. The 1992 General Assembly made the restrictions even more stringent.⁶

Shortly after the charitable gaming defense law went into effect, the Attorney General issued an opinion stating that the law was unconstitutional. The law was not, however, tested in court until 1991. In a case filed in Simpson Circuit Court, gambling charges were brought against three defendants who were conducting bingo games in Simpson County. The defendants claimed the charitable gaming defense and the Commonwealth's attorney countered by challenging the constitutionality of the charitable gaming defense law. The judge in the case ruled the law unconstitutional, based on the precedent set in Otto v. Kosofsky.⁷ The decision has been appealed.

In the Simpson County case, the judge noted that other states have constitutional prohibitions on lotteries but have seen fit to allow bingo. References were made to cases in Florida and Maryland in which the courts ruled that bingos were not included in the definition of lottery. He noted with

⁴ SB 277, Section 9.

⁵ HB 475.

⁶ SB 321.

⁷ Commonwealth v. Buddy Maynard et al., Simpson Circuit Court, 49th. Judicial Circuit, Case Nos. 91-CR-038, 059, 073, December, 1991.

interest an even more recent case in Mississippi⁸, which held that the terms "lottery" and "bingo" are different, given their popular meanings. The judge said that although these decisions were well reasoned, "This court does not enjoy the luxury of departing from precedent, however strong the temptation."⁹

The threat to charitable gaming posed by the Simpson County case prompted legislative action in the 1992 General Assembly.¹⁰ A bill was enacted which proposed to amend the Constitution to permit charitable gaming under statutory regulation by the General Assembly. In addition, a provision was included in SF 321 directing the Interim Joint Committee on Business Organizations and Professions to conduct a study of alternative approaches to regulating charitable gaming. The Committee has been working diligently on this study and has prepared this report to satisfy the directive.

U. S. GROSS WAGERING TRENDS

Charitable gaming is the fourth fastest growing form of gaming in the United States. In the summer of 1990, a national gaming publication published a table containing gaming statistics for all forms of gaming in the United States for an eight-year period, 1982-1989 (See Table 1).¹¹ For the period, charitable gaming rose 232.54%, for an annual average of 18.73%. The annual average for all gaming was 9.75% and for pari-mutuel wagering on horses, 2.53%.

The amount of money wagered on charitable gaming is not significant in relation to total gaming revenue. The \$3.9 billion in "handle" (gaming revenue)

⁸ Ki...nt v. State, ex rel Moore, 574 So. 2d 662 (Miss. 1990).

⁹ Commonwealth v. Buddy Maynard et al., pg. 8.

¹⁰ HB 725.

¹¹ "U.S. Gross Wagering Trends, 1982-1989", *Gaming and Wagering Business*, (New York: BMT Publications, July 15-August 14, 1990).

reported for 1989 represented only 1.6% of all legal gaming and only 1.3% of all gaming.

There are no firm statistics on charitable gaming in Kentucky. The 1990 amendments to the charitable gaming law required quarterly reporting to the county clerk, but there is no requirement for the data to be compiled. In the summer of 1991, about a year after the reporting requirement went into effect, committee staff surveyed county clerks in an effort to get an idea of the number of organizations involved in charitable gaming in Kentucky and the level of revenues being generated. The sixty-five counties that responded to the survey reported a total of 381 organizations registered and total revenues reported of approximately \$95 million. A county breakdown of these statistics is included in Table 2.

CHARITABLE GAMING AUTHORIZED BY STATES

In Kentucky, the terms charitable gaming and bingo are often used interchangeably. Bingo is, of course, a popular form of charitable gaming, but nationally and in Kentucky, the term charitable gaming includes a lot more than bingo. The National Association of Fundraising Ticket Manufacturers recently published a compilation of statistics on charitable gaming in North America for 1991.¹² The following types of gaming were recognized and reported; bingo, raffles, charity game tickets (pulltabs), Las Vegas Nights, poker, "21", punch boards, sports pools, non-profit lotteries, paddle wheels, tip boards and amusement games. (See Table 3).

Forty-five states and the District of Columbia authorize some form of charitable gaming. Only Arkansas, Hawaii, Idaho, Tennessee, and Utah

¹² National Association of Fundraising Ticket Manufacturers, *1991 Report on Charity Gaming in North America*, (Bismarck, N.D., August 31, 1992).

prohibit it altogether. Bingo is the most popular, or more accurately the most prevalent, being recognized in all 46 jurisdictions. Charity game tickets are authorized in 31 jurisdictions, raffles in 30 and Las Vegas Nights in 13. A smattering of states allow the other types of gaming.

GROSS PROCEEDS FROM CHARITABLE GAMING

For 1991, slightly more than \$6 billion in revenues was generated from all forms of charitable gaming. This is \$2 billion more than was reported for 1989 in Gaming and Wagering Business and represents a 51% increase over the two years. Actual amounts wagered on charitable gaming could be higher, since only 27 states regulate charitable gaming and report statistics. A number of states, like Kentucky, authorize charitable gaming but do not assign responsibility for oversight and reporting.

Based on total revenues (See Table 4), Minnesota is the leading charitable gaming state, with \$1.2 billion total gaming revenues reported for 1991. Minnesota is followed by Texas, at \$668 million, Washington, at \$643 million, Ohio, \$581 million, and Louisiana, \$347 million.

While bingo is the most prevalent game recognized, it is not the biggest generator of revenues. Charity game tickets, or pulltabs, generated \$3 billion, or nearly half of all charitable gaming revenues, compared to \$2.6 billion for bingo. Raffles brought in \$112 million, Las Vegas Nights, \$30 million, and all other forms of gaming combined, \$197 million.

Texas is the biggest bingo state, with \$496 million reported. Other big bingo states include Ohio, Michigan, New York, Washington and Massachusetts. Washington is the number one charitable game ticket state (\$442 million in revenues) and Michigan leads in raffles.

NET PROCEEDS FROM CHARITABLE GAMING

Total net proceeds reported for charitable gaming in 1991 was \$716 million. Net proceeds is the money left over after prizes are paid and expenses, including taxes, are deducted. This is the money that is actually allocated for charitable purposes. Table 5 shows net proceeds by state. Washington charities benefited most, followed by Minnesota, Louisiana and Ohio.

The second column in Table 5 shows net proceeds as a percentage of the gross handle. The percentages range from a low of 4.81% in Florida to a high of 35.82% in the District of Columbia. Table 5 also contains the per capita wager for each state reporting. This figure ranges from a low of \$.34 in North Carolina to a high of \$56.92 in North Dakota.

TAX/LICENSE FEE REVENUES

All states that regulate charitable gaming fund regulatory activities through a tax on charitable gaming proceeds or license fees, or a combination thereof. Table 6 shows tax revenues generated, license fees generated and totals. It also shows how these revenues are used. Some states directly apply the funds to the regulation of charitable gaming, while other states deposit the money in the general fund. Some states specifically apportion the money to designated programs. Six states allocate a portion of the money to local government, but where this occurs there is usually a regulatory responsibility imposed on local government.

REGULATION BY STATES

There appear to be more similarities than differences in how states organize to regulate charitable gaming. One significant variation, however, is in the placement of the administrative agency within the organizational structure. Some states create a separate agency, while others assign the function to an existing agency. Still others divide responsibilities among several agencies. Agencies most frequently designated to regulate charitable gaming include Departments of Revenue, Justice or Public Safety Departments, State Lotteries and Attorneys General. States that divide jurisdiction usually do so among the aforementioned agencies.

There would appear to be some correlation between the effectiveness of state regulatory programs and the amount of resources appropriated for administration and enforcement. Table 7 shows the number of staff employed for charitable gaming regulation, annual expenditure for regulation, if reported, and expenditures expressed as a percentage of the gross handle. Staffing levels range from one person in Indiana and North Carolina to 115 in Washington. The average staffing level was 19.5. Washington has the biggest budget, at \$5.9 million per year. South Dakota reported only \$5,000 expended on administration and enforcement. The average annual expenditure for states reporting was \$1.2 million. Expenditures as a percentage of gross handle went from a low of .03% in Missouri to a high of 2.08% in Washington.

Many states take in more revenue than is necessary for regulating charitable gaming, thereby using charitable gaming as a means of raising additional state revenue. Minnesota, for example, collects \$57 million but spends only \$3.3 million on regulation. Texas takes in \$30 million and spends

roughly \$700,000, while Washington collects \$28 million and spends \$6 million.

During the course of this study, five states were identified as having particularly effective regulatory programs; Michigan, Minnesota, Nebraska, North Dakota and Washington. The following section is an analysis of the statutory processes established in these states.

MICHIGAN¹³

In Michigan the conduct of bingo, and other forms of gambling, is governed by statute and is under the jurisdiction of the Bureau of State Lottery. A bona fide religious, educational, service, senior citizens, fraternal, or veterans' organization which operates without profit to any of its members, and has been in existence for a least five continuous years, or is tax exempt may operate a legal bingo, millionaire party, or charity game. The Commissioner of the Bureau may issue an eligible organization a bingo license upon the payment of a variable fee. For example, a qualified organization applying for a bingo license must pay a fee of \$150, while another qualified organization, conducting bingo on the same day each week, need only pay \$55 if the value of the prizes do not exceed \$300 per day and \$25 per game.

A licensed organization may hold only one bingo license and may sell charity game tickets. Such license is valid for only one location. No more than seven licensees may conduct bingo during a seven-day period at any one location. A qualified organization wishing to conduct bingo games other than on the days specified in the annual license may do so upon the approval of the

¹³ Michigan Compiled Laws, Annotated, 432.101, et. seq.

commissioner and the payment of a \$50 fee. An unlicensed organization may conduct bingo on a special occasion under a special license, for a fee of \$10 or \$50, depending on whether the event is for one day or more. Similarly, a qualified organization may hold only one millionaire party license. The gaming event may not exceed 24 hours for each day for two non-consecutive days or 72 hours for a three-day period. A fee of \$50 is charged for each of the two non-consecutive days and \$100 for the three-day period. An applicant is eligible for only two 24-hour licenses or one 72-hour license per year, unless his license is extended for a period not to exceed 24 hours.

A qualified organization may concurrently hold a bingo and a millionaire party license. In addition, a qualified organization with a millionaire party license may conduct a raffle. Unlicensed, qualified organizations may conduct a raffle where the total market value of the prizes does not exceed \$500. Those organizations holding raffles with total prizes greater than \$100 and no more than \$500 must register and pay a commissioner-determined fee, while those organizations with prizes of \$100 or less are excused from the licensing and registration requirement.

Charity game tickets must be purchased from the Bureau or a licensed supplier. The Bureau must sell the tickets at a percentage of the gross revenue realized by the resale of all the charity game tickets, and the percentage retained by the qualified organization shall be equal to the percentage the Bureau received for the sale of the charity game tickets. The prizes must be paid by the organization and must have a value of at least 60 percent of the resale value of the charity game tickets, if all charity game tickets are resold.

The Bureau determines the number of winning game tickets on a random basis and establishes the value of the prize won by each winning charity game ticket. A charity game ticket may not resell for less than 30 cents and the single maximum prize for a charity game ticket shall not exceed \$200.

For security purposes, the Bureau imprints a control number upon each charity game ticket. Other restrictions limit advertisement and prohibit anyone under 18 years of age from purchasing a charity game ticket. All fees and revenues collected by the Commissioner or the Bureau in connection with the bingo, millionaire party, charity game tickets, and the raffle are paid into the state lottery fund for the administration, development, and enforcement of the games. The administrative costs of the games may not exceed the moneys generated by the games in the lottery fund, and any of these moneys not being used must be returned to the state general fund.

Michigan statute limits the use of the proceeds of the bingo, millionaire party, or charity game to the organization's lawful purposes and restricts those expenses to be paid from the proceeds to the purchase or rental of necessary equipment, the payment of necessary services, the award or purchase of prizes, the rental of the premises where the games are held, janitorial services, license fees, and other reasonable expenses permitted by regulation.

Restrictions are placed on those persons operating the games. Generally, only an unpaid, bona fide member of the qualified organization may participate in the management of the games. Special permission must be obtained from the Commissioner if a bingo, millionaire party, or charity game is conducted with equipment that is not owned nor rented at a reasonable rate by the organization.

The aggregate retail value of all prizes or merchandise awarded in one day for bingo and the millionaire party must not exceed \$2000. In bingo, the prize for one game may not exceed \$500 or the equivalent, and the aggregate amount a participant may claim in a millionaire party may not exceed \$500. Prizes of merchandise are not redeemable or convertible into cash. Advertising is not permitted unless otherwise provided in regulation. A person must be at least 18 years of age to wager at a millionaire party. Only games of chance may take place at the location and during the time period approved for the event. Wagering upon an athletic event or upon a game involving personal skill is not permitted. Prizes are not subject to local and state taxes.

The Bureau is charged with enforcing and supervising gaming. The Commissioner is expressly charged with promulgating regulations for the operation or conduct of bingo, millionaire parties, and charity games. Specifically, the regulations must address: the method of play and selection of winners, the type of equipment to be used, the maximum charge per bingo card, and the games of chance and other activities that may be conducted during a millionaire party. Moreover, all persons selling, leasing, or distributing equipment used in a bingo game, millionaire party, and charity game must be licensed. Suppliers authorized to sell charity tickets must post a performance bond of between \$50,000 and \$100,000. All equipment must be obtained only from licensed suppliers and charity game tickets must be purchased from the Bureau or a licensed supplier. A licensed supplier must remit to the Bureau the organization's purchase price minus an amount which must be not less than the sum of \$.008 for each ticket sold plus 1.0% of the total resale value for all charity game tickets sold. All suppliers must pay an annual fee of \$300 to the Bureau.

Each licensee must keep a record of bingo games, millionaire parties, and charity games conducted in the previous year. At the Commissioner's request the State Auditor General or an accounting firm appointed by the Auditor General must conduct a post-audit of the licensee's records, accounts, and transactions relating to the parties or games. Each licensee must file an annual financial statement with the Commissioner of its related receipts and expenses and must file a copy of this statement with the Attorney General. Moreover, the location at which the games are held must be open at all times to inspection. Also, the Commissioner must make an annual report to the Governor and Legislature about the operation of gaming in the state, the abuses encountered by the Bureau, and recommendations for changes in the laws governing the games.

The Commissioner may suspend or revoke the license of any organization whose officers, directors, agents, members, or employees violate any of the laws or regulations relating to the bingo games, millionaire parties or charity games. The Commissioner may suspend a license for 60 days or less, pending a prosecution, investigation, or public hearing. Those willfully violating the statutes are guilty of a misdemeanor and must be fined not more than \$1000 or imprisoned for no more than six months. A licensee whose license is revoked because of violations of the statute is ineligible for a license for at least one year. Likewise, an officer or employee who is convicted of violating the gaming laws is prohibited from serving as an officer of a licensee or from conducting such games for one year after the conviction becomes final. In addition to suspending a licensee, the Commissioner may also declare the violator ineligible to conduct a bingo game, millionaire party, or charity game for a period not to exceed one year.

MINNESOTA¹⁴

Minnesota allows lawful gambling. Such gambling is regulated by the Minnesota Gambling Control Board. An organization may be licensed to conduct lawful gambling if it has been in existence for three years prior to application as a nonprofit corporation or is exempt from federal taxation by the Internal Revenue Services, has at least fifteen active members, has no officers who have been convicted of a felony related to gambling within the prior five years, has identified its purposes (which must not be solely for the conduct of gambling), has designated a gambling manager, and is not seeking licensure solely for tax relief. Bingo and raffles held in connection with a county or state fair, nursing home, or senior citizen's home, or those held fewer than four times per year are exempt from licensure. Raffles with a total value of not more than \$750 are also exempt.

Local jurisdictions may investigate licensees and may charge a fee, not to exceed \$500 for cities of the first class, \$250 for cities of the second class, \$100 for all other cities, and \$375 for counties. Not more than 50% of the gross profit, less taxes, from bingo and not more than 50% of the gross profits, less taxes, from other charitable gambling may be used for expenses related to lawful gambling. Each licensed organization must make monthly reports to the board.

The board may issue four classes of annual licenses: (1) Class A - authorizing all forms of lawful gambling; (2) Class B - authorizing all forms of

¹⁴ Minnesota Statutes Annotated, Chapter 349.

lawful gambling except Bingo; (3) Class C - authorizing bingo only; and (4) Class D - authorizing raffles only. The board may also issue distributor licenses, manufacturer licenses, bingo hall licenses and gambling manager licenses. The board may summarily suspend the license of an organization more than three months late in filing a tax return and may summarily suspend for not more than 90 days any licensee for what the board determines as detrimental to the integrity of lawful gambling.

Licensed organizations must conduct lawful gambling on licensed premises. Fees for such licensure are as follows: (1) \$200 for a Class A permit, (2) \$125 for a Class B permit, (3) \$100 for a Class C permit, and (4) \$75 for a class D permit. Applications must provide specified information and designate the location of the premises.

Each licensed gambling manager must be bonded and may not manage for more than one organization. Compensation may only be paid to active members and must be paid by check. A licensed organization may pay a percentage of the gross profits from a raffle to another nonprofit organization which sells tickets for the licensed organization.

Prizes for a single bingo game may not exceed \$100, except for cover-all games, provided the aggregate value does not exceed \$500. Total prizes may not exceed \$2,500, except cover-all games, which may not exceed \$3,000. The total amount awarded in cumulative prizes in any calendar year may not exceed \$12,000. The maximum prize for any pulltab is \$250, and organizations may not sell pulltabs for more than \$2. Merchandise prizes must be valued at their fair market value.

Pulltabs and tipboards are taxed at a rate of 10% on the gross receipts. There is a tax of 2% imposed on the sale of each deal of pulltabs and tipboards sold by licensed distributors. A local gambling tax may be imposed by local jurisdictions, not to exceed 3%. In addition, there is a combined receipt tax on lawful gambling. This tax is \$12,000 plus 6% of the combined receipts amount over \$900,000, \$4,000 plus 4% of the combined receipts amount over \$7,000, and 2% of the combined receipts over \$500,000. No tax is imposed on the combined receipts amount under \$500,000.

Failure to pay a tax when due results in a penalty tax of 3% each 30-day period the tax is not paid. There is a tax on any untaxed pulltabs or tipboards of 6%. Intentional failure to pay a tax results in a penalty tax of 10%. The penalty for sales by an unlicensed distributor is \$1.00 per day for each day the distributor continues to engage in the activity.

NEBRASKA¹⁵

Bingo, lotteries, raffles, pull-tabs, and lotteries by pickle cards (a form of charity game ticket) are authorized under Nebraska Law. The regulation of all gaming activity is vested in the Charitable Gaming Division of the Nebraska Department of Revenue. Any person applying for a license is subject to a criminal history check, a personal history check, and fingerprinting. A Charitable Gaming Investigation Petty Cash Fund has been established to defray the cost of investigations. License eligibility for bingo, lotteries, raffles, pull-tabs, and lotteries by pickle cards is limited to bona fide charitable,

¹⁵ Revised Statutes of Nebraska, Chapter 9.

religious, or non-profit organizations and volunteer fire companies incorporated in the state of Nebraska.

A licensee must conduct no activities within the state other than the activity for which it is licensed, operate without profit to its members, and have been in existence for five years prior to application for a license. Senior citizen groups organized for participation only by respective members are exempt from the licensing requirements. Each license application must contain sufficient evidence of charitable, religious, or non-profit status, identify the location of the activity, identify officers of the organization, identify the person responsible for proper utilization of the gross receipts, identify the supervising member of the event, and include copies of all lease or rental agreements. All information is required to be updated.

Voters of any county, city, or village may vote on the question of prohibiting bingo, lotteries, raffles, pull-tabs, and lotteries by pickle cards. A majority vote determines the issue.

Bingo licenses are issued annually and based on gross profits. A class I license is issued to organizations with gross receipts of less than \$150,000.00. A class II license is issued to organizations with gross receipts of \$150,000.00 or more. Class I licenses are \$15 and class II licenses are \$50. A license fee of \$5 is required for each supervising member and \$5 for each member responsible for the proper utilization of gross receipts. Licenses are also required for manufacturers of bingo supplies or equipment, distributors of bingo supplies or equipment, gaming managers, and commercial lessors.

A 6% tax on gross bingo receipts is collected by the Department of Revenue and credited to the Charitable Gaming Operations Fund, and a 2% tax on gross bingo receipts is levied by local jurisdictions. Local occupation taxes are prohibited.

Licensed organizations are limited to ten bingo events per month, with each event limited to six hours in duration. Upon commission notification, limited licenses may be obtained which authorize not more than two limited periods per year.

Not more than two events may be held on any premises approved to hold bingo. Such premises must be owned by the licensee or leased or rented by the licensee from a licensed commercial lessor. Bingo must be conducted in the county in which the licensed organization has its principal office. Rental payments may not be based upon a percentage of receipts or the number of persons participating and may not be in excess of fair market value. Commission approval is required for all lease agreements.

All bingo supplies and equipment must be purchased or leased from a licensed distributor, who may not hold a separate license or participate in the conduct or operation of any bingo event. Applicants for licensure as a distributor must pay a registration fee of \$25 and an annual license fee of \$1,500.

Members designated responsible for the proper utilization of gross receipts may not receive compensation greater than \$5 per hour. No person conducting bingo may receive compensation greater than \$30 per event, except for cashiers, who may receive no more than \$60 per event. Prizes are limited to \$1,000 per single prize, \$4,000 for the aggregate value per event, and merchandise prizes are valued at fair market retail value. Gross receipts may not exceed \$8,000, and at least 50% of gross receipts must be awarded as prizes. Other expenses may include utilities, security services, license fees, taxes, rental or lease payments, equipment, and supplies. Separate accounts must be maintained and verified.

License fees for pickle cards are issued annually and based upon the manner in which the licensed organization intends to sell the pickle cards. A class I license is issued to organizations intending to sell pickle cards only at their designated premises and at a regularly scheduled bingo; fees shall be \$100. A class II license is issued to organizations intending to sell pickle cards on the premises of licensed pickle card operators; fees shall be \$150. Licenses are also required for manufacturers of pickle cards, distributors of pickle cards, pickle card sales agents, and pickle card operators. Strict regulations are established relating to the manufacture and distribution of pickle cards.

License fees to conduct a lottery or raffle are issued annually, upon payment of a \$15 fee. Special permits (valid for 3 months) may be issued to conduct one raffle and one lottery, upon payment of a \$10 fee. Licensed organizations shall pay a 2% tax on gross proceeds of each lottery over \$1,000 or raffle over \$5,000.

Violation of the Act shall be a Class I misdemeanor for the first offense and a Class IV felony for any second or subsequent offense.

NORTH DAKOTA¹⁶

The North Dakota constitution authorizes the conduct of games of chance by non-profit charitable, educational, religious, fraternal, civic, service, and public-spirited organizations, if the entire net proceeds are devoted to charitable purposes and such organizations have been in existence in the state for two years (this two year requirement may be waived).

The North Dakota Attorney General is responsible for licensure and regulation of authorized games of chance, which include: bingo, Calcutta's,

¹⁶ North Dakota Century Code, Annotated, Chapter 53-06.1.

charitable gaming tickets, paddlewheels, plumbs, jars, raffles, sports pools, punch boards, twenty-one, draw poker, and stud poker. Licenses may be issued to qualified organizations upon the payment of a \$150 fee; however, a non-profit organization may petition the governing body of a city or county to conduct a raffle, bingo, or festival, if prizes do not exceed \$1,000. Licenses may also be issued to qualified manufacturers and distributors of equipment and supplies. Licensure is divided into three classifications:

1. Class A Licenses - Issued to eligible organizations prohibited, because of their nature, from expending charitable gaming net proceeds for their own benefit; they are required to disburse net proceeds for charitable, educational, patriotic, fraternal, religious, or other public-spirited uses;
2. Class B - Issued to eligible organizations permitted to expend charitable gaming proceeds for their own qualified uses;
3. Class C Licenses - Issued to eligible organizations which conduct charitable gaming on not more than two occasions per year.

Charitable gaming may be conducted only on approved premises. With the exception of raffles, only one eligible organization at a time may be authorized to conduct charitable gaming at a specific location, and rent must be reasonable.

Only members or employees of qualified organizations may assist in the holding, operating, or conducting of charitable gaming. The equipment used in the gaming event must be owned by the organization or rented from a licensed distributor. The governing board is primarily responsible for the proper determination and distribution of net proceeds, which must be devoted within three months from the date such proceeds were generated. Only persons free of previous criminal conviction may sell or distribute equipment or conduct or assist in games.

All proceeds must be deposited in a separate account and expenses paid from the account by consecutively numbered checks and paid to a specific person. Proceeds may not be used for political activity. Persons under 21 years of age may participate in charitable gaming, but may not participate in other forms of legalized gambling.

Taxes are paid on a quarterly basis from adjusted gross proceeds. Adjusted gross proceeds (AGP) include gross receipts less cash prizes or the price of merchandise prizes. A tax is imposed at the following rate:

1. On AGP not more than \$200,000 per quarter - 5%;
2. On AGP over \$200,000 per quarter, but not more than \$400,000 per quarter - 10%;
3. On AGP over \$400,000 per quarter, but not more than \$600,000 per quarter - 15%; and
4. On AGP over \$600,000 per quarter - 20%.

The State Treasurer pays \$170,000 per quarter to cities and counties in proportion to the adjusted gross proceeds within each city or county. Such funds must be used for enforcement of the charitable gaming laws. In addition, \$200,000 each biennium must be deposited in the Attorney General's operating fund for enforcement expenses. Remaining funds are deposited into the General Fund. Any violation of the gaming laws is a Class A misdemeanor, unless a fraudulent scheme or technique is involved, which would result in a Class C felony.

WASHINGTON¹⁷

The Washington Legislature authorizes some form of the following gambling activities: dice or coin contest for music, food, or beverage; sports pools; social card games; punch boards; pull-tabs; amusement games; bingo; raffles; golfing sweepstakes; bowling sweepstakes; promotional contests of chance; and turkey shoots.

Bona fide charitable or nonprofit organizations may conduct bingo, raffles, and amusement games without a license when: the organization's gross revenue from the above activities does not exceed \$5000 for the calendar year; only unpaid bona fide members participate in the management or operation of the activities; the activities are conducted no more than twice each calendar year; the organization gives advance notice of the event to the local police agency; and the organization maintains records showing the gross revenue, the expenditures, and the uses to which the gross revenue is put.

However, the following persons or organizations must be licensed by the Washington State Gambling Commission:

- 1) Bona fide charitable or nonprofit organizations conducting bingo games, raffles, amusement games, and social card games and utilizing punch boards and pull-tabs;
- 2) Any business engaged in the selling of food or drink for consumption on the premises, utilizing punch boards, pull-tabs, and social games as a commercial stimulant;

¹⁷ West's Revised Code of Washington, Annotated, Chapter 9.46.

3) Any person, association, or organization conducting or operating amusement games at approved locations; and

4) Any person, association or organization engaged in the sale, distribution, supply, or manufacture of devices used in legitimate gambling activities.

Unless otherwise permitted by the Commission, no person other than a bona fide member of a charitable or nonprofit organization may participate in the management or operation of an authorized gambling activity, nor shall any funds inure to the benefit of any person other than one designated in the license as the recipient of charitable benefits. Washington law expressly requires that no general fund moneys be used for the Commission's activities.

A bona fide charitable or nonprofit organization is prohibited from leasing premises where the rent is unreasonable or is to be paid, wholly or in part, on the basis of a percentage of the receipts or profits derived from the gambling activities. The premises, books, and records of any person, association, or organization conducting authorized gambling activities, receiving profits from, or having an interest in the gambling activities shall be subject to inspection and audit without notice, for purposes of determining compliance with applicable state or local gambling laws. Moreover, the Commission shall require from those persons or organizations involved in gambling activities, a report detailing all receipts and disbursements in connection with the gambling activities.

Washington law places additional restrictions on bingo games and pull-tabs and punch boards. The restrictions on bingo limit an organization from conducting games more than three times a week; prohibit anyone taking part

in the management or operation of the games conducted by one organization from participating in the management and operation of another organization's games, unless approved by the Commission; prohibit the proceeds from flowing to any person other than the organization; and limit the games to the county where the organization is principally located, unless expressly excepted.

The restrictions placed on the use of punch boards and pull-tabs limit the sale to adults; limit the cost of a single chance to 50 cents; prohibit punch boards and pull-tabs from awarding as a prize upon the drawing of a winning symbol, the opportunity of taking a chance on any other punch board or pull-tab; require that prizes be displayed in the immediate area of the premises where the games are located and removed upon a winning symbol being drawn; require that each licensee keep a public record of any person winning a prize worth \$20 or more; and require that the punch boards and pull-tabs be taxed on a basis which reflects only the gross receipts from the punch boards and pull-tabs.

Any applicant (for a license) or licensee shall not knowingly permit any person to participate in the management or operation of any gambling activity who has been convicted of or pleaded guilty to crimes imputing one's honesty, involving any gambling activity or physical harm to individuals, or involving moral turpitude; has violated applicable gambling laws; or who has aided, abetted, caused or conspired with another to violate the applicable statute.

Local entities may tax any gambling activity within their respective jurisdictions, subject to prescribed limitations. These limitations prohibit a locality from taxing bingo and raffles more than 10 percent of the gross revenues received less the amount paid for prizes; restrict the taxation of

amusement games to the locality's actual enforcement costs; and prohibit the taxing of bingo or amusement games conducted by bona fide charities and nonprofit organizations which have no paid personnel and have gross income of \$5000 or less. Moreover, the first \$10,000 of net profit proceeds from raffles conducted by a bona fide charitable or nonprofit organization is exempt, and the taxation of punch boards or pull-tabs and social games shall not exceed a fixed amount of the games' gross revenues.

Two unusual provisions of the Washington law are those permitting local governments to enact as local ordinances any violation of the gaming law which constitutes a misdemeanor or gross misdemeanor, and holding every person controlling, directly or indirectly, the operation of any authorized gambling activity liable for money damages suffered by another person because of violations of the gambling laws.

The gambling commission is charged with monitoring the gaming activities of those licensed to conduct the various games. In addition, the Commission may deny an application or suspend or revoke any license or permit issued for: violating applicable gaming laws; knowingly causing, assisting, or conspiring with another to violate gambling laws; obtaining a license or permit by fraud or misrepresentation; having been found guilty of or having pleaded guilty to crimes imputing one's honesty, or of crimes involving any gambling activity, physical harm to individuals, or moral turpitude; denying the Commission or its authorized representatives access to any place where a licensed activity is conducted, or failing to produce for inspection or audit any book, record, document or item required by law; failing to post one's license when operating a licensed activity; misrepresenting or failing to disclose a material fact to the Commission; or pursuing employment in an occupation

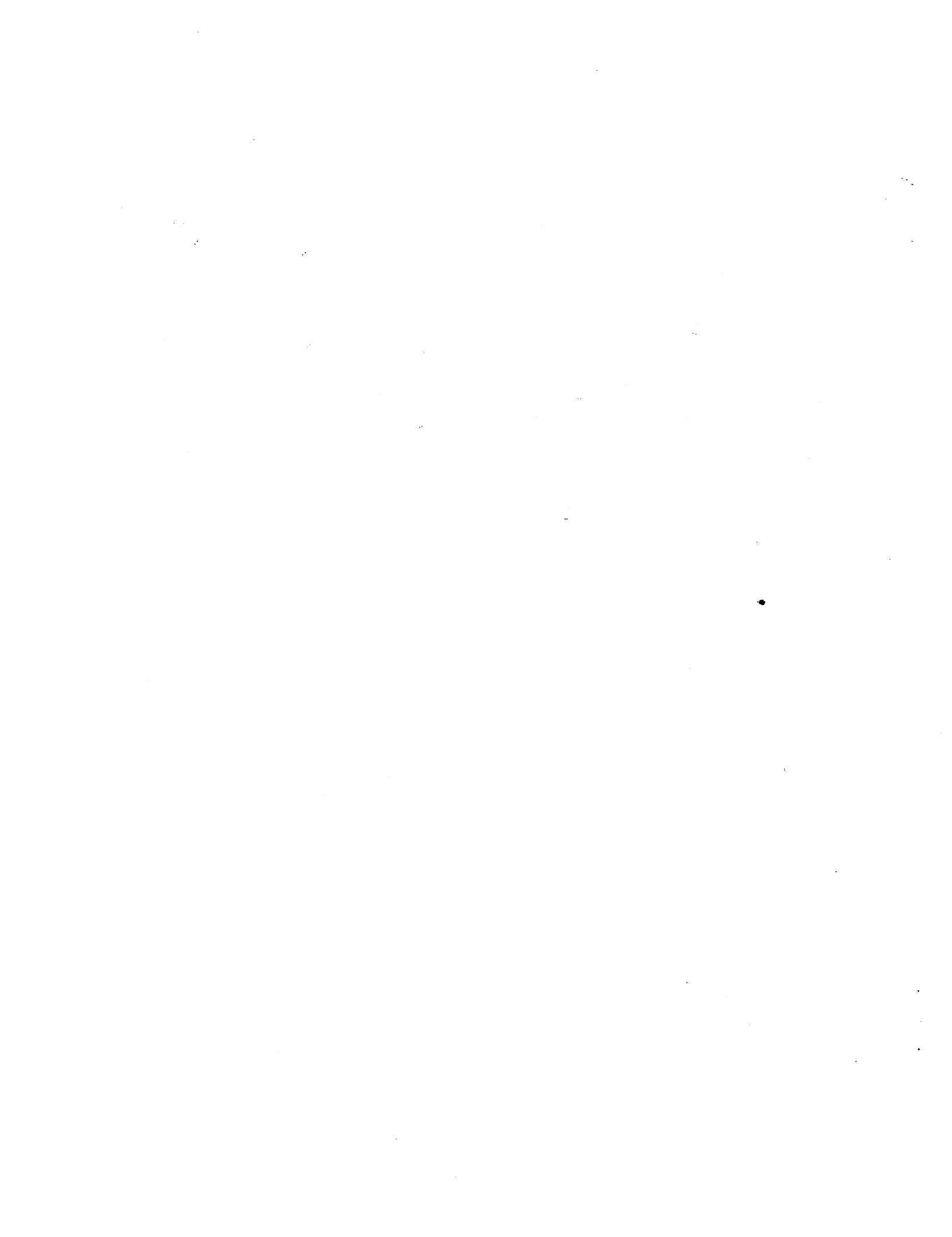
or career that violates public policy or that is antithetical to the legitimate operations of gambling.

Members and employees of the Commission are prohibited from being an officer or manager of any corporation or organization conducting a lottery or gambling activities; sharing in the gross profits of any gambling activity regulated by the Commission; or having an interest in any contract for the manufacture or sale of gambling devices, the conduct of gambling activity, or consulting services.

The Commission reports to the Governor and the Legislature and is authorized to conduct a study of the types of gambling activities permitted and prohibited. As part of that study the Commission recommends to the Legislature the gambling activities to be permitted and prohibited; the types of licenses and permits to be required; the types of taxes to be applied to each gambling activity; changes it would make in the law; and any other matters the Commission deems appropriate.

All moneys receivable from licenses, penalties, and forfeitures and other moneys, income, or revenue received by the Commission comprise the gambling revolving fund. Generally, these moneys are deposited in a depository each day and disbursements occur only upon the Commission's authorization. Washington statute expressly prohibits state general fund moneys from being used for the Commission's activities.

Penalties are established for violators. Violators are guilty of a Class B felony or a gross misdemeanor. Notably, a corporation that conducts without a license a gambling activity requiring a license shall be guilty of a Class B felony and may be punished by forfeiture of the organization's corporate chapter.



FINDINGS

In completing this study, the Interim Joint Committee on Business Organizations and Professions reviewed a substantial amount of research material and heard testimony from a variety of witnesses. On the basis of the information presented, the committee has derived three major findings.

The first finding is that charitable gaming is used extensively by charitable organizations as a way of raising money for charitable endeavors. Nationally, forty-five states permit some form of charitable gaming. In Kentucky, a staff survey conducted shortly after the registration requirement went into effect, identified 381 registered charitable organizations reported by the sixty-five counties that responded. The types of organizations involved cover a wide range of charitable and civic programs and services, including churches, schools, social service agencies, veterans groups, fraternal orders and volunteer fire departments.

Charitable gaming also covers a wide range of gaming activities. Bingo is certainly the best known type of charitable gaming and the most prevalent one nationally. But, charitable gaming also includes such things as charitable gaming cards, or pull-tabs, punch boards, paddle wheels, and various types of games of chance conducted at charity fairs and festivals. The term even includes activities that may not be generally thought of as charitable gaming, such as raffles. Since most charitable organizations have held a raffle, it would be fair to say that most organizations have engaged in charitable gaming at some point in time.

The second finding is that charitable gaming is an important fund-raising mechanism for legitimate charities. Over \$6 billion in revenues was reported in 1991 for charitable gaming in the United States. This figure comes only from the twenty-seven states that require reporting of these amounts. The sixty-five Kentucky counties responding to our staff survey reported \$95 million in gross revenues for roughly the same period. As fund-raising from other sources has declined, due to a stagnant economy, charitable gaming revenues have grown and should continue to grow in amount and importance.

Third, the committee finds that the prohibition of charitable gaming as a fund-raising mechanism would have an adverse effect on state and local budgets. If charitable organizations were denied charitable gaming, testimony before the committee indicates, many would close or severely curtail their programs and services. The total impact such a change would have is not known, but information presented concerning parochial education gives some idea of the scope. It is estimated that without charitable gaming revenue, 7,000 children currently attending parochial schools would have to attend public schools. At approximately \$4,500 a year to educate a child in the public schools, this influx would require an increase in the education budget in excess of \$30 million. Extrapolating over the broad range of programs and service affected, one can see the additional cost could be significant.

State and local agencies would simply not be able in the current economic climate to meet the added demand. Public agencies have experienced a declining revenue base in recent years and are currently facing projected short falls that may require further budget cuts. While demand for services is growing, resources are shrinking. This means that agencies are not able to meet the current demand, much less an increased demand.

Therefore, the likely scenario if charitable gaming were prohibited is that programmatic needs would not be met.

Based on these findings, the Interim Joint Committee on Business Organizations and Professions makes the following recommendations.

RECOMMENDATIONS

Recommendation 1: That the Kentucky General Assembly enact legislation to establish a comprehensive mechanism for regulating charitable gaming in Kentucky.

The current charitable gaming law contains some good provisions, but it is not a comprehensive regulatory law. Lack of key regulatory elements has severely limited its effectiveness. Most notably no agency is assigned responsibility for its administration and no funding is provided for enforcement. While the specifics of a comprehensive law are not yet clear, certain broad policy directions are indicated from research material and testimony

Recommendation 2: That an independent regulatory body be created to license charitable organizations to conduct charitable gaming.

There are a number of different models for regulating charitable gaming that are presented by other states. Some states have assigned the regulatory responsibility to an existing agency, such as the Department of Revenue or the Attorney General's office. A few have put it under the state lottery. Others have created separate, independent agencies, such as a charitable gaming commission. This latter approach would seem to have broad based support in Kentucky. Testimony before the committee revealed concern that if regulation is assigned to another agency, it might not be given sufficient priority or its purpose might even conflict with the primary mission of the agency.

Recommendation 3: That a strong enforcement program be included in the enabling legislation.

Strong enforcement is an important element of any regulatory scheme that it enacted. In fact, our Constitutional Amendment requires the General Assembly to ensure the honesty and integrity of charitable gaming activities. Again, the specifics of the enforcement provisions are not yet clear, but certain key elements have been identified. The first is to have clear and well-defined regulatory policies which will ensure that only legitimate organizations engage in charitable gaming. The second is to have strong reporting requirements to ensure accountability for all charitable gaming proceeds. The third is the allocation of sufficient resources for auditing reports and investigating allegations of abuse. Finally, the oversight agency needs the proper enforcement tools to deal with abuses, including a variety of administrative remedies, such as license revocation and fines, and appropriate criminal penalties.

Recommendation 4: That the regulatory program enacted be adequately funded and self-supporting.

No matter how well a regulatory system is designed, it will not be effective unless sufficient funds are provided to hire adequate staff to administer the program. How much would be required for Kentucky is not known. Of the seventeen states reporting administrative/enforcement expenditures, the average expenditure was approximately \$1.2 million per year. Nebraska has a staff of 20, with an annual expenditure of \$1.4 million. A Nebraska regulator estimated that Kentucky's population would require a staff between 40 and 50. This would suggest a budget of approximately \$3 million per year.

In regard to the source of funding, there appears to be general agreement that money is not available in the General Fund and that the program will need to generate its own funding. This could be accomplished through a combination of license fees and a

tax on charitable gaming activities. Charitable organizations appear supportive of this approach, as long as the amounts are not excessive and the money raised is used exclusively for regulating charitable gaming.

Recommendation 5: That the Governor be urged to put charitable gaming regulation on a special session call.

Whatever comprehensive system is ultimately developed, it should be put in place as soon as possible. The need for effective regulation is too urgent to wait for the 1994 Regular Session of the General Assembly. The Governor should, therefore, be urged to put charitable gaming regulation on any call he might issue for a special session.

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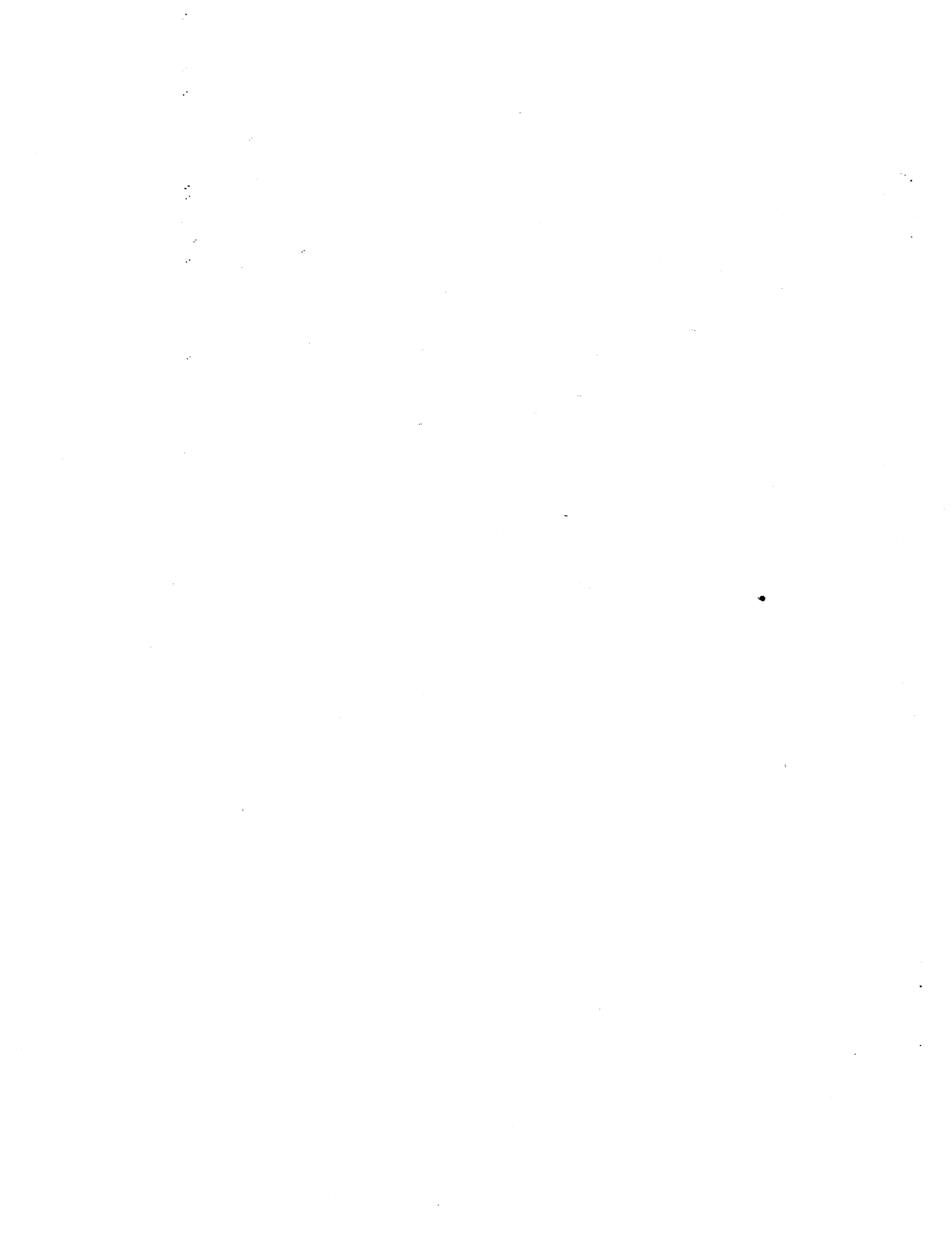


TABLE 1

U.S. Gross Wagering Trends, 1982-1989

Industry	1982 Gross Wagering (Handle)	1983 Gross Wagering (Handle)	1984 Gross Wagering (Handle)	1985 Gross Wagering (Handle)	1986 Gross Wagering (Handle)	1987 Gross Wagering (Handle)	1988 Gross Wagering (Handle)	1989 Gross Wagering (Handle)	1982-1989 Gross Wagering Increase/(Decrease)	Average Annual Rate
PARIMUTUELS										
Horses										
Track	\$ 9,990,628,572	\$ 9,932,179,426	\$ 10,417,588,960	\$ 10,486,397,544	\$ 10,481,685,728	\$ 11,007,987,415	\$ 11,181,073,866*	\$ 11,155,011,075	\$ 1,164,382,503	11.65%
OTB	1,707,271,903	1,715,985,659	1,765,482,790	1,753,850,978	1,938,990,563	2,104,253,895	2,487,088,521*	2,775,058,960	1,067,787,057	62.54%
Total	11,697,900,475	11,648,165,085	12,183,071,750	12,240,248,522	12,420,676,291	13,112,241,310	13,668,162,387	13,930,070,035	2,232,169,560	19.08%
Greyhounds										
Track	2,208,551,898	2,325,846,934	2,451,385,751	2,698,934,362	3,009,193,413	3,190,897,997	3,246,422,210	3,183,112,602	974,560,704	44.13%
OTB		551,369	5,531,848	4,423,618	9,420,251	12,428,724	16,550,285*	28,571,564	28,571,564	N/A
Total	2,208,551,898	2,326,398,303	2,456,917,599	2,703,357,980	3,018,613,664	3,203,321,721	3,262,972,495	3,211,684,166	1,003,132,268	45.42%
Jai-alai	622,782,363	619,804,391	\$ 665,869,006	\$ 663,968,272	\$ 667,575,369	\$ 707,507,464	\$ 639,224,435*	\$ 552,746,477	\$ (70,035,886)	-11.25%
TOTAL Parimutuels	14,529,234,736	14,594,367,779	15,305,858,355	15,607,574,774	16,106,865,324	17,023,070,495	17,570,359,317	17,694,500,678	3,165,265,942	21.79%
LOTTERIES	4,088,300,000	5,171,200,000	8,132,500,000	10,213,280,000	12,479,720,000	13,140,292,000	17,051,880,000	19,468,330,000	15,380,030,000	376.20%
CASINOS										
Nev./N.J. Slots	14,400,000,000	18,800,000,000	23,792,860,563	26,182,148,083	28,503,598,369	32,794,253,951	57,667,092,655*	65,790,588,454	51,390,588,454	356.88%
Nev./N.J. Tables	87,000,000,000	87,200,000,000	92,868,783,645	99,557,539,436	101,438,240,154	112,043,911,391	126,295,623,085*	127,774,754,003	40,774,754,003	46.87%
Cruise Ships								2,073,500,000	2,073,500,000	N/A
Other Casinos								22,300,000	22,300,000	N/A
Noncasino Devices							230,000,000*	301,600,000	301,600,000	N/A
TOTAL Casinos	101,400,000,000	106,000,000,000	116,661,644,208	125,739,687,519	129,941,838,523	144,838,165,343	184,192,715,740	195,962,742,457	94,562,742,457	93.26%
LEGAL BOOKMAKING										
Sportsbooks	415,161,891	692,019,756	929,114,798	885,857,210	898,939,394	1,014,319,728	1,317,304,075	1,434,952,978	1,019,791,087	245.64%
Horsebooks	122,809,048	160,325,188	184,367,232	243,249,092	290,180,529	365,564,356	414,563,172	403,178,763	280,369,715	228.30%
TOTAL Bookmaking	537,970,939	852,344,944	1,113,482,030	1,129,106,302	1,189,119,923	1,379,884,084	1,731,867,247	1,838,131,741	1,300,160,802	241.68%
CARD ROOMS	1,000,000,000	1,052,000,000	1,065,000,000	1,096,950,000	1,118,889,000	3,125,000,000	3,453,125,000	3,798,437,500	2,798,437,500	279.84%
BINGO	3,000,000,000	3,070,000,000	3,154,118,000	3,437,988,620	3,599,574,085	3,977,169,407	3,670,167,867*	3,772,029,542	772,029,542	25.73%
CHARITABLE GAMES	1,200,000,000	1,400,000,000	1,540,000,000	1,681,680,000	1,789,307,520	2,002,950,838	3,581,133,231*	3,990,444,149	2,790,444,149	232.54%
INDIAN RESERVATIONS				250,000,000	285,714,286	314,285,714	345,714,286	400,000,000	400,000,000	N/A
TOTAL LEGAL	125,755,505,675	132,139,912,723	146,972,602,593	159,156,267,215	166,511,028,661	185,800,817,881	231,596,962,688	246,924,616,067	121,169,110,392	96.35%
ILLEGAL GAMBLING										
Numbers	4,370,000,000	4,890,000,000	5,088,288,522	5,495,351,604	5,550,305,120	5,550,305,120	5,550,305,120	5,550,305,120	1,180,305,120	27.01%
Horsebooks	5,498,000,000	5,800,000,000	6,066,347,414	6,066,347,414	6,066,347,414	6,606,347,414	8,128,905,535	8,128,905,535	2,630,905,535	47.85%
Sportsbooks	14,500,000,000	16,800,000,000	17,562,994,630	18,644,000,000	19,203,320,000	19,203,320,000	26,308,548,400	27,387,198,884	12,887,198,884	88.88%
Sportscards	1,128,000,000	1,300,000,000	1,359,041,251	1,443,000,000	1,486,290,000	1,486,290,000	2,036,217,300	2,119,702,209	991,702,209	87.92%
TOTAL ILLEGAL	25,496,000,000	28,790,000,000	30,076,671,817	31,648,699,018	32,306,262,534	32,306,262,534	42,023,976,355	43,186,111,748	17,690,111,748	69.38%
GRAND TOTAL	\$151,251,505,675	\$160,929,912,723	\$177,049,274,410	\$190,804,966,233	\$198,817,291,195	\$218,107,080,415	\$273,620,939,043	\$290,110,727,815	\$138,859,222,140	91.81%
Notes:										
*Indicates revised figures for 1988										
State lottery handles for 1982 and 1981 are for the 12 months ending June 30										
Columns may not add to totals due to rounding										

Source: July-August, 1990, Gaming and Wagering Business

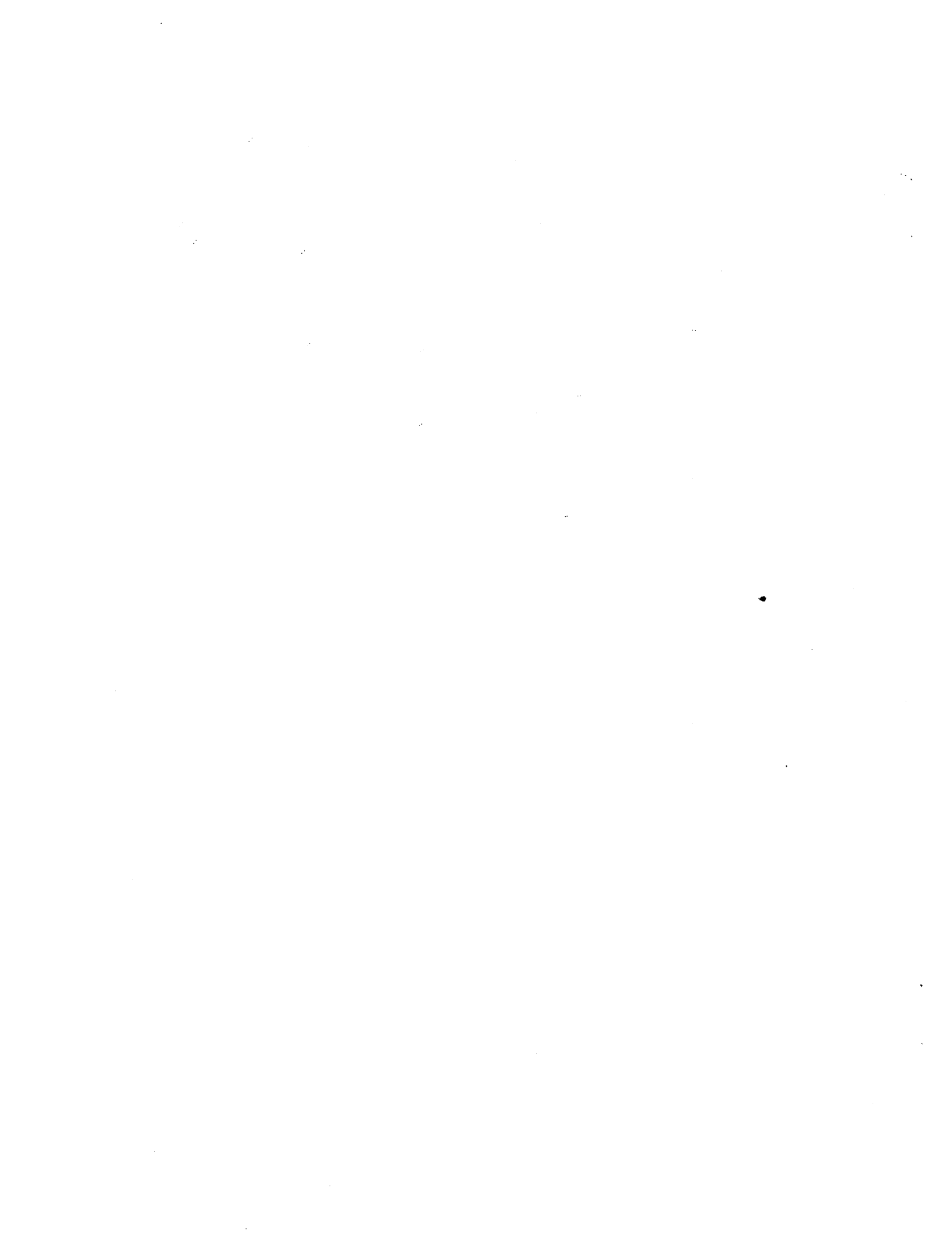


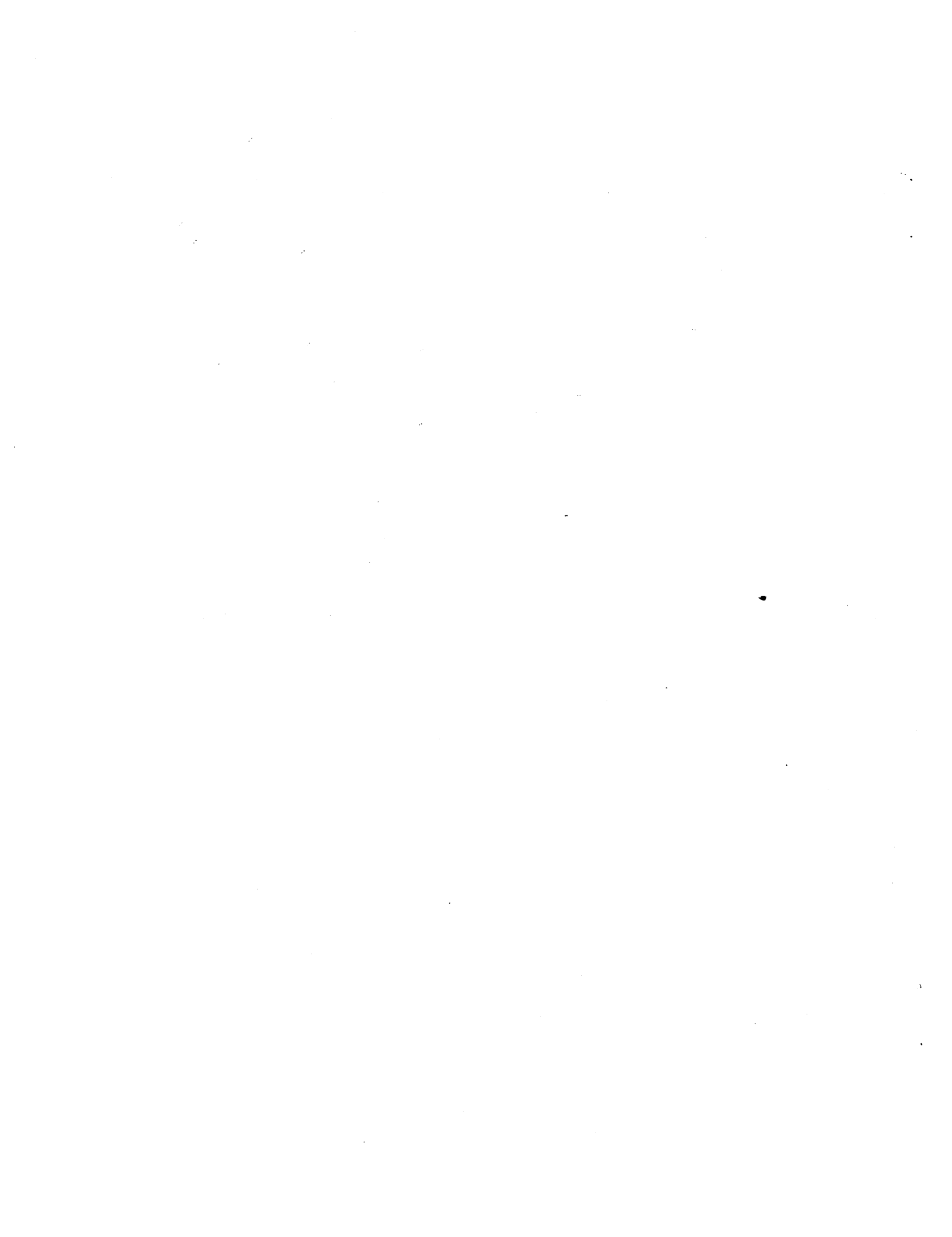
Table 2

CHARITABLE GAMING SURVEY
July, 1990 - June, 1991

County	Organizations Registered	Gross Receipts
Adair		
Allen		
Anderson		
Ballard		
Barren	2	1,663.83
Bath		
Bell		
Boone	4	352,071.72
Bourbon		
Boyd	9	14,456,591.11
Boyle	1	
Bracken		
Breathitt		
Breckinridge	6	
Bullitt	7	41,734.84
Butler		
Caldwell		
Calloway	1	13,790.50
Campbell	10	478,492.52
Carlisle		
Carroll	2	
Carter		
Casey		
Christian	7	15,094.59
Clark		
Clay		
Clinton		
Crittenden		
Cumberland		
Daviess		
Edmonson		
Elliott		
Estill		
Fayette	9	590,263.97
Fleming		
Floyd	1	
Franklin	4	100,894.32
Fulton		
Gallatin		
Garrard	1	32,885
Grant	1	
Graves	4	41,612.66
Grayson	1	38,920.29

Green		
Greenup	3	213,421.33
Hancock		
Hardin	8	309,382.14
Harlan	2	17,683.89
Harrison	1	16,097.00
Hart		
Henderson		
Henry	2	1,285,978.35
Hickman		
Hopkins	7	392,526.12
Jackson		
Jefferson	208	67,130,060.51
Jessamine		
Johnson	6	586,694.90
Kenton	23	3,903,033.18
Knott	2	
Knox	1	219,332.29
Larue		
Laurel		
Lawrence		
Lee		
Leslie		
Letcher		
Lewis	1	
Lincoln		
Livingston		
Logan		
Lyon		
McCracken		
McCreary		
McClellan		
Madison	3	237,586.49
Magoffin		
Marion	4	133,525.66
Marshall		
Martin	1	17,598.84
Mason	1	80,181.59
Meade	7	388,154.58
Menifee		
Mercer	1	
Metcalfe		
Monroe		
Montgomery		
Morgan		
Muhlenberg		
Nelson	7	1,124,687.32
Nicholas		
Ohio		
Oldham	7	168,486.09

Owsley		
Pendleton		
Perry	2	118,641.39
Pike		
Powell		
Pulaski		
Robertson		
Rockcastle	1	27,613.10
Rowan		
Russell		
Scott	2	545,519.40
Shelby		
Simpson		
Spencer		
Taylor		
Todd	1	
Trigg	1	24,455.00
Trimble		
Union		
Warren	7	518,049.17
Washington		
Wayne		
Webster		
Whitley	1	5,122.19
Wolfe		
Woodford		
TOTALS	381	95,056,440.27



CHARITABLE GAMING AUTHORIZED BY STATES

TABLE 3

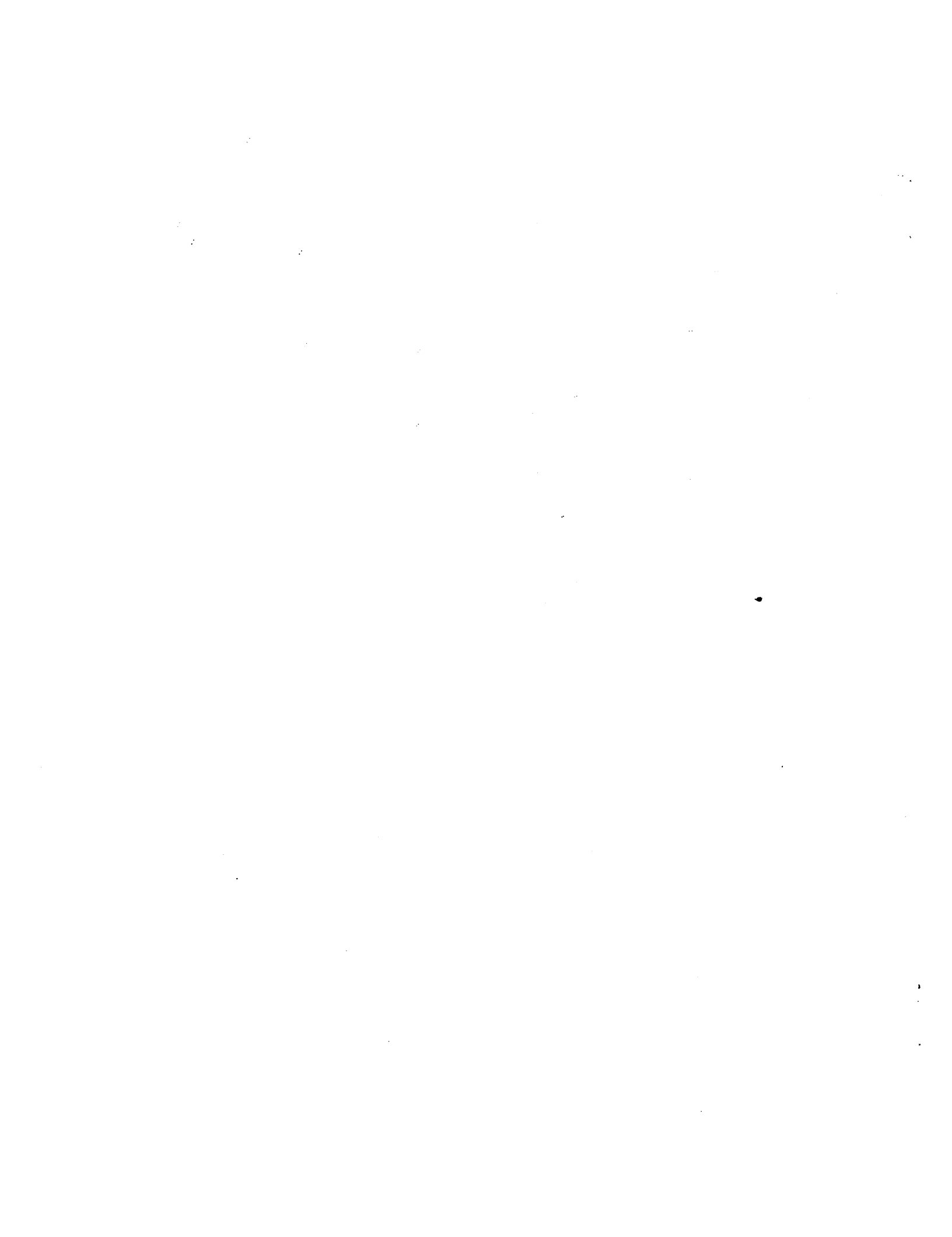
CHARITABLE GAMING AUTHORIZED BY STATES													
STATE	Bng.	Raf.	CGT's	LVN's	Pok.	"21"	Pbd.	Sp.P.	NP Lot.	Pdl.	Tpd.	Am.G	Table 3 Oth.
ALABAMA	X												
ALASKA	X	X	X	X					X				X
ARIZONA	X	X											
ARKANSAS													
CALIFORNIA	X		X		X								
COLORADO	X	X	X										
CONNECTICUT	X	X	X	X									
DELAWARE	X	X	X	X									
DC	X	X	X	X									
FLORIDA	X	X											
GEORGIA	X												
HAWAII													
IDAHO													
ILLINOIS	X	X	X	X									
INDIANA	X	X	X	X			X				X		
IOWA	X	X										X	
KANSAS	X											X	
KENTUCKY	X												
LOUISIANA	X	X	X										X
MAINE	X	X	X	X									
MARYLAND	X	X	X	X									
MASSACHUSETTS	X	X	X	X									
MICHIGAN	X	X	X	X									
MINNESOTA	X	X	X										
MISSISSIPPI	X	X	X							X	X		
MISSOURI	X		X										
MONTANA	X	X											
NEBRASKA	X	X	X					X					X
NEVADA	X								X				
NEW HAMPSHIRE	X		X										
NEW JERSEY	X	X											
NEW MEXICO	X	X	X										
NEW YORK	X		X	X									
NORTH CAROLINA	X												
NORTH DAKOTA	X	X	X		X	X	X	X		X	X		X
OHIO	X		X										
OKLAHOMA	X												
OREGON	X	X											
PENNSYLVANIA	X	X	X										
RHODE ISLAND	X		X										
SOUTH CAROLINA	X												
SOUTH DAKOTA	X		X										
TENNESSEE									X				
TEXAS	X		X										
UTAH													
VERMONT	X	X	X	X					X				
VIRGINIA	X	X	X										
WASHINGTON	X	X	X	X	X	X	X	X				X	
WEST VIRGINIA	X	X	X										
WISCONSON	X	X											
WYOMING	X	X	X										
TOTALS	46	30	31	13	3	2	3	3	4	2	3	2	5

GROSS PROCEEDS FROM CHARITABLE GAMING

TABLE 4

STATE	BINGO	RAFFLES	CGTs	CNs	OTHER	TOTALS
Alabama						0
Alaska	\$40,824,000.00	\$4,082,404.00	\$157,172,556.00		\$2,041,202.00	\$204,120,162.00
Arizona	\$48,777,727.00					\$48,777,727.00
Arkansas						\$0.00
California						\$0.00
Colorado	\$59,253,786.00	\$5,357,919.00	\$156,827,390.00			\$221,439,095.00
Connecticut	\$30,000,000.00	\$14,000,000.00	\$10,650,000.00	\$435,000.00	\$2,600,000.00	\$57,685,000.00
Delaware						\$0.00
District of Columbia	\$3,459,463.00	\$2,595,127.00	\$512,607.00	\$309,579.00	\$30,524.00	\$6,907,300.00
Florida					\$28,737,648.00	\$28,737,648.00
Georgia	\$34,861,498.00					\$34,861,498.00
Hawaii						\$0.00
Idaho						\$0.00
Illinois	\$154,800,900.00		\$75,778,900.00	\$9,102,567.00		\$239,682,367.00
Indiana						\$0.00
Iowa	\$53,373,858.00	\$5,371,199.00				\$58,745,057.00
Kansas	\$27,179,000.00					\$27,179,000.00
Kentucky						\$0.00
Louisiana	\$155,207,245.00	\$4,668,713.00	\$182,355,796.00		\$4,656,088.00	\$346,887,842.00
Maine						\$0.00
Maryland						\$0.00
Massachusetts	\$161,200,000.00	\$19,100,000.00	\$58,700,000.00	\$4,440,000.00		\$243,440,000.00
Michigan	\$213,314,884.00	\$25,545,941.00	\$25,578,700.00	\$14,350,866.00		\$278,790,391.00
Minnesota	\$82,985,000.00		\$1,122,641,000.00		\$21,482,000.00	\$1,227,108,000.00
Mississippi						\$0.00
Missouri	\$106,814,114.00		\$58,936,084.00			\$165,750,198.00
Montana						\$0.00
Nebraska	\$25,091,749.00	\$990,816.00	\$134,167,471.00		\$77,902,688.00	\$238,152,724.00
Nevada						\$0.00
New Hampshire	\$35,332,436.00		\$43,969,464.00			\$79,301,900.00
New Jersey						\$0.00
New Mexico	\$39,000,000.00	\$683,000.00	\$31,317,000.00			\$71,000,000.00
New York	\$186,922,871.00					\$186,922,871.00
North Carolina	\$38,382,803.00					\$38,382,803.00
North Dakota	\$54,563,286.00	\$1,318,834.00	\$122,398,405.00		\$44,123,890.00	\$222,404,415.00
Ohio	\$291,049,686.00		\$290,087,956.00			\$581,137,642.00
Oklahoma						\$0.00
Oregon	\$60,472,371.00	\$1,869,772.00				\$62,342,143.00
Pennsylvania						\$0.00
Rhode Island						\$0.00
South Carolina						\$0.00
South Dakota						\$0.00
Tennessee						\$0.00
Texas	\$495,663,906.00		\$172,414,636.00			\$668,078,542.00
Utah						\$0.00
Vermont						\$0.00
Virginia						\$0.00
Washington	\$180,032,228.00	\$3,797,870.00	\$442,749,962.00	\$1,090,083.00	\$15,291,257.00	\$642,961,400.00
West Virginia						\$0.00
Wisconsin	\$21,676,486.00	\$22,283,078.00				\$43,959,564.00
Wyoming						\$0.00
TOTAL	\$2,600,239,297.00	\$111,664,673.00	\$3,086,257,927.00	\$29,728,095.00	\$196,865,297.00	\$6,024,755,289.00

Source: NATFM's 1991 Report on Charity Gaming in North America



NET PROCEEDS FROM CHARITABLE GAMING

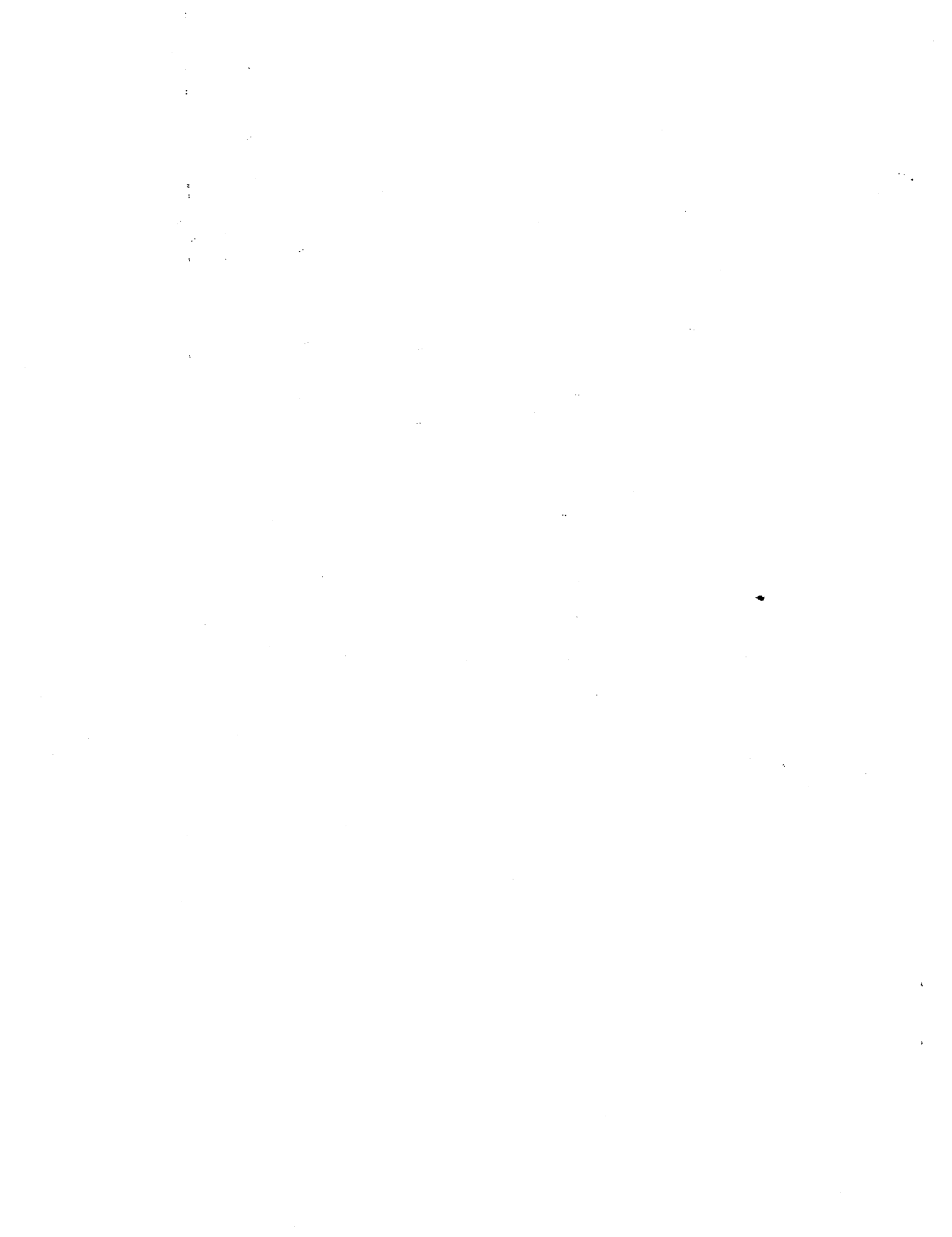
STATE	NET PROCEEDS	% GROSS HANDLE	PER CAPITA*
ALASKA	\$15,926,983	7.80%	\$28.96
ARIZONA	9,358,064	19.19%	2.55
COLORADO	34,673,669	15.66%	10.53
CONNECTICUT	13,220,000	22.92%	4.02
DISTRICT OF COLUMBIA	2,463,178	35.82%	4.06
FLORIDA	1,383,125	4.81%	0.11
GEORGIA	12,351,941	35.43%	1.91
IOWA	11,041,094	18.79%	3.98
LOUISIANA	77,443,696	22.33%	18.35
MASSACHUSETTS	48,600,000	19.97%	8.08
MISSISSIPPI	65,015,455	23.32%	6.99
MINNESOTA	79,035,000	6.40%	18.07
NEBRASKA	20,186,374	12.50%	12.79
NEW HAMPSHIRE	11,129,764	14.03%	10.04
NEW MEXICO	11,059,609	15.58%	7.3
NEW YORK ¹	47,173,788	25.24%	2.62
NORTH CAROLINA	2,279,592	5.94%	0.34
NORTH DAKOTA	36,369,049	16.69%	56.92
OHIO	72,859,683	25.00%	6.72
OREGON	9,632,062	15.45%	3.39
TEXAS	53,745,713	8.04%	3.16
WASHINGTON ²	80,935,105	12.59%	16.56
TOTAL	\$715,882,944		
Source: NAFTM's 1991 Report on Charity Gaming in North America			
*Based on 1990 Census Bureau Statistics			
¹ Bingo only			
² Includes some commercial activity			

TABLE 6

TAX LICENSE FEE REVENUE

	TAX REVENUE	LICENSE FEES		
STATE	GENERATED	GENERATED	TOTAL FEES	USE OF TAX REVENUE
ALASKA	\$58,753	\$ N/A	\$ N/A	N/A
ARIZONA	1,085,801	56,830	1,142,631	General Fund
COLORADO	1,040,212	155,200	1,195,412	Department of State & Administrative Costs
CONNECTICUT	1,515,000	78,645	1,593,645	General Fund
DISTRICT OF COLUMBIA	N/A	7,330	7,330	General Fund
GEORGIA	8,715,374	27,400	8,742,774	General Fund
ILLINOIS	11,802,067	1,107,557	12,909,624	Administrative support & allocations to local governments for enforcement
INDIANA	N/A	11,150	11,150	Help administer bingo
IOWA	2,259,425	254,000	2,513,425	General Fund
KANSAS	815,356	17,250	832,606	Tax: 1/3 general fund, 1/3 bingo enforcement, 1/3 returned to local governments; License Fee: general fund
LOUISIANA	1,415,378	391,829	1,807,207	Dedicated for regulation of industry
MASSACHUSETTES	15,145,000	38,900	15,183,900	Beano: 3/5 general fund, 2/5 lottery expenses; Raffles/Casino: general fund; CGTs: 50% purchase & selling, 50% local aid
MISSISSIPPI	3,535,151	943,270	4,478,421	Enforcement & administration; excess to general fund
MINNESOTA	55,705,000	1,021,505	56,726,505	General Fund
MISSOURI	4,143,755	642,555	4,786,310	General Revenue
NEBRASKA	5,024,434	332,445	5,356,879	General fund & enforcement
NEW HAMPSHIRE	1,825,512	303,548	2,129,060	Aid to education
NEW MEXICO	332,175	30,000	362,175	General Fund
NEW YORK	N/A	2,306,946	2,306,946	N/A
NORTH CAROLINA	1,037,224	36,505	1,073,729	General Fund
NORTH DAKOTA	7,776,717	146,229	7,922,946	\$680,000 paid to cities & counties for gaming enforcement; \$200,000 deposited in Attorney General's operating fund per biennium for gaming enforcement; remainder to general fund
OREGON	670,812	21,270	692,082	Regulate charitable gaming
SOUTH CAROLINA	5,892,209	114,000	6,006,209	50% general fund; 37 1/2% Parks, Recs & Tourism; 12 1/2% Aging Commission
SOUTH DAKOTA	60,000	19,335	79,335	General Fund
TEXAS	27,156,616	3,144,210	30,300,826	Tax: general fund; local city and county have authority to tax also License Fee: general fund
WASHINGTON	21,983,353	5,748,327	27,731,680	Tax: cities & counties required to use primarily for enforcement of laws & rules License Fee: regulation
WISCONSIN	433,530	402,524	836,054	Tax: general fund; License Fee: 90% department's program revenue, 10% general fund

Source: NAFTM's 1991 Report on Charity Gaming in North America



EXPENDITURES FOR ADMINISTRATION/ENFORCEMENT

TABLE 7

STATE	STAFF	EXPENDITURES	% GROSS HANDLE
ALASKA	10	\$248,700	0.51%
COLORADO	13	N/A	
CONNECTICUT	25	1,165,000	2.02%
DELAWARE	7	N/A	
DISTRICT OF COLUMBIA	8	N/A	
GEORGIA	1	N/A	
ILLINOIS	43	2,911,400	1.21%
INDIANA	1	20,000	N/A
IOWA	9	120,000	0.20%
KANSAS ¹	9	271,785	1.00%
LOUISIANA	36	1,807,207	0.52%
MARYLAND	45	N/A	
MISSISSIPPI	27	1,971,350	0.71%
MINNESOTA	64	3,300,000	0.27%
MISSOURI	1.15	46,472	0.03%
NEBRASKA	20	1,420,084	0.88%
NEW HAMPSHIRE	5	N/A	
NEW MEXICO	3	N/A	
NORTH CAROLINA	1	25,000	0.07%
NORTH DAKOTA	12	726,696	0.33%
OHIO	28	N/A	
OREGON	10	570,468	0.94%
PENNSYLVANIA	2	N/A	
SOUTH DAKOTA	8	5,000	N/A
TEXAS		687,764 ²	
WASHINGTON ³	115	5,920,000	2.08%
WISCONSIN	3 1/2 FT, 9 PT	N/A	
¹	Figures for bingo only		
²	This figure only for central administratio of bingo, license and tax reporting processing.		
	Texas Alcoholic Beverage Commission staff also used for regulation;there is no breakdown for charity gaming.		
³	Includes some commercial activity		
Source: NAFTM's 1991 Report on Charity Gaming in North America			

