

HOUSE BILL ANALYSIS

HB 1877

Brief Description: Allowing charitable and nonprofit organizations the ability to run electronic bingo games.

Sponsors: Representatives Gombosky and Schindler

Hearing: February 22, 1999

Brief Summary of Bill

- Authorizes electronic bingo for licensed charitable and nonprofit organizations that have been operating bingo games for at least 12 months.
- Requires electronic bingo to be conducted with at least two players.
- Allows electronic bingo to be conducted more than three days per week and to be conducted at the same location more than three days per week.
- Allows electronic bingo management and operation to be conducted by someone other than a member or employee of the sponsoring organization.

BACKGROUND:

Bingo games are authorized gambling activity regulated by the Gambling Commission. Bingo may be operated only by charitable and nonprofit organizations or by an agricultural fair.

Bingo licensees.

The number of bingo licensees and the gross receipts from bingo operations has been declining since 1995. For 1998, there were 395 charitable and nonprofit licensees reporting income from bingo operations compared to 424 reporting for 1997.

Bingo licensees are licensed by category based on the gross receipts of their operation. There is a significant difference in size of operations conducted by licensees. Of the 395 licensees in 1998, 84% or 332 licensees produced 18% of the net income (\$2.6 million), while 16 % or 63 licensees produce 84% of the net income (\$12 million). Net income reflects gross receipts less prizes and expenses.

Bingo regulation.

Charitable and nonprofit organizations may offer bingo only three times per week. The location where bingo is played may only be used for bingo three times per week. Different organizations may not use the same location under this restriction.

Only members or employees of the organization may manage the game. They may not manage games for any other organization unless authorized by the commission.

The game may be conducted only in the county in which the organization is located. Cards for the game may be sold only at the time and place of the game.

Proceeds from the game may only benefit the organization conducting the game.

In 1996, a task force of industry members was formed by the Commission. A study was conducted of the issues facing charitable and nonprofit fund-raising activity from bingo operations. Since 1995, gross receipts from bingo operations have declined by \$29 million (\$203 million in 1995 to \$174 million in 1998).

The Commission recently made changes to the operation of bingo. It approved lowering the amount of revenue (net return) that licensees must return to the organization to maintain their license classification. A licensee may also seek a moratorium on the application of the net return requirement but the organization must maintain a positive cash flow. The Commission is forming another industry task force to look at the problems facing licensees and explore recommendations for improving their ability to raise funds to be spent on the purposes of the charitable or nonprofit organizations.

SUMMARY OF BILL:

Electronic bingo is authorized for licensed charitable and nonprofit organizations. Only those licensees who have been operating a traditional bingo operation for at least 12 months are eligible to use electronic bingo.

Electronic bingo must be played with at least two players. Players match numbers or

symbols on electronic or computer generated cards with numbers drawn or generated at random at one location.

Electronic bingo may not use stand alone terminals allowing an individual player to play against the machine or use networked terminals.

Electronic bingo is not subject to all of the current restrictions for conducting bingo operations. Electronic bingo may operate more than three days per week and the organization operating electronic bingo may allow its premises to be used for electronic bingo more than three days per week. The management and operation of electronic bingo is not limited to members or employees of the organization. Electronic bingo is subject to other restrictions on the operation of bingo.

The Gambling Commission may adopt rules to implement this activity taking into consideration available modern technology.

RULES AUTHORITY: The bill does contain provisions addressing the rule making powers of an agency.

FISCAL NOTE: Requested February 17, 1999.

EFFECTIVE DATE: Ninety days after adjournment of a session in which bill is passed.