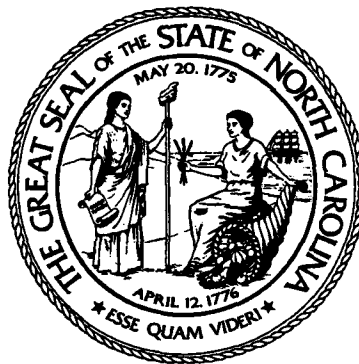


LEGISLATIVE RESEARCH COMMISSION

BINGO REGULATION STUDY COMMITTEE



REPORT TO THE
1998 SESSION OF THE
1997 GENERAL ASSEMBLY
OF NORTH CAROLINA

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STATE OF NORTH CAROLINA
LEGISLATIVE RESEARCH COMMISSION
STATE LEGISLATIVE BUILDING
RALEIGH 27611



May 11, 1998

TO THE MEMBERS OF THE 1997 GENERAL ASSEMBLY (REGULAR SESSION 1998):

The Legislative Research Commission herewith submits to you for your consideration its final report on Bingo Regulation. The report was prepared by the Legislative Research Commission's Committee on Bingo Regulation pursuant to G.S. 120-30.17(1).

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Harold J. Brubaker", written over a horizontal line.

Harold J. Brubaker
Speaker of the House

A handwritten signature in cursive script, appearing to read "Marc Basnight", written over a horizontal line.

Marc Basnight
President Pro Tempore

Cochair
Legislative Research Commission

1997-1999

LEGISLATIVE RESEARCH COMMISSION

MEMBERSHIP

President Pro Tempore of the Senate
Marc Basnight, Cochair

Sen. Austin M. Allran
Sen. Frank W. Ballance, Jr.
Sen. Jeanne H. Lucas
Sen. R.L. Martin
Sen. Ed N. Warren

Speaker of the House of Representatives
Harold J. Brubaker, Cochair

Rep. Michael P. Decker, Sr.
Rep. Jerry C. Dockham
Rep. Beverly Earle
Rep. W. Eugene McCombs
Rep. Gregory J. Thompson

PREFACE

The Legislative Research Commission, established by Article 6B of Chapter 120 of the General Statutes, is the general purpose study group in the Legislative Branch of State Government. The Commission is cochaired by the Speaker of the House and the President Pro Tempore of the Senate and has five additional members appointed from each house of the General Assembly. Among the Commission's duties is that of making or causing to be made, upon the direction of the General Assembly, "such studies of and investigations into governmental agencies and institutions and matters of public policy as will aid the General Assembly in performing its duties in the most efficient and effective manner" (G.S. 120-30.17(1)).

The Legislative Research Commission, prompted by actions during the 1997 Session, has undertaken studies of numerous subjects. These studies were grouped into broad categories and each member of the Commission was given responsibility for one category of study. The Cochairs of the Legislative Research Commission, under the authority of G.S. 120-30.10(b) and (c), appointed committees consisting of members of the General Assembly and the public to conduct the studies. Cochairs, one from each house of the General Assembly, were designated for each committee.

The study of Bingo Regulation was authorized by Section 2.1(1) of Chapter 483 of the 1997 Session Laws. Part II of Chapter 483 allows for studies authorized by that Part for the Legislative Research Commission to consider House Bill 951 in determining the nature, scope and aspects of the study. The relevant portions of Chapter 483 and House Bill 951 are included in Appendix A. The Legislative Research Commission authorized this study under authority of G.S. 120-30.17(1) and grouped this study in its Regulation Grouping area under the direction of Representative Beverly M. Earle. The Committee was chaired by Senator David F. Weinstein and Representative Rex L. Baker. The full membership of the Committee is listed in Appendix B of this report. A committee notebook containing the committee minutes and all information presented to the committee is filed in the Legislative Library.

FINDINGS AND RECOMMENDATIONS

The Bingo Regulation Study Committee **finds** that it is in the best interest of the public, the charities conducting charitable bingo, and the persons engaged in the business of conducting commercial bingo that bingo be subject to an effective and efficient system of strict control and regulation in order to promote the public confidence and trust in the regulatory process and the conduct of all forms of bingo.

The Bingo Regulation Study Committee **recommends** that the proposed legislation attached to this report in Appendix D be submitted to and passed by the 1998 Session of the General Assembly to provide the effective and efficient regulation of bingo in North Carolina.

APPENDIX A

CHAPTER 483
1997 Session Laws
(in part)

AN ACT TO AUTHORIZE STUDIES BY THE LEGISLATIVE RESEARCH COMMISSION, TO CREATE AND CONTINUE VARIOUS COMMISSIONS, TO CONTINUE A COUNCIL, TO DIRECT STATE AGENCIES AND LEGISLATIVE OVERSIGHT COMMITTEES AND COMMISSIONS TO STUDY SPECIFIED ISSUES, AND TO IMPOSE A MORATORIUM ON SERVICE CORPORATION CONVERSIONS.

The General Assembly of North Carolina enacts:

PART I.-----TITLE

Section 1. This act shall be known as "The Studies Act of 1997".

PART II.-----LEGISLATIVE RESEARCH COMMISSION

Section 2.1. The Legislative Research Commission may study the topics listed below. When applicable, the bill or resolution that originally proposed the issue or study and the name of the sponsor is listed. Unless otherwise specified, the listed bill or resolution refers to the measure introduced in the 1997 Regular Session of the 1997 General Assembly. The Commission may consider the original bill or resolution in determining the nature, scope, and aspects of the study.

- (1) Bingo regulation (Weinstein; H.B. 951 - Baker).

.....

PART XVI.-----BILL AND RESOLUTIONS REFERENCES

Section 16.1. The listing of the original bill or resolution in this act is for reference purposes only and shall not be deemed to have incorporated by reference any of the substantive provisions contained in the original bill or resolution.

PART XVII.-----EFFECTIVE DATE AND APPLICABILITY

Section 17.1. Except as otherwise specifically provided, this act becomes effective July 1, 1997. If a study is authorized both in this act and the Current Operations Appropriations Act of 1997, the study shall be implemented in accordance with the Current Operations Appropriations Act of 1997 as ratified.

In the General Assembly read three times and ratified this the 28th day of August, 1997.

s/ Marc Basnight
President Pro Tempore of the Senate

s/ Harold J. Brubaker
Speaker of the House of Representatives

s/ James B. Hunt, Jr.
Governor

Approved 11:00 a.m. this 10th day of September, 1997

APPENDIX B

**BINGO REGULATION STUDY COMMITTEE MEMBERSHIP
LEGISLATIVE RESEARCH COMMISSION
BINGO REGULATION COMMITTEE
1997-1999**

Pro Tem's Appointments

Sen. David F. Weinstein, Cochair
206 West 31st Street
Lumberton, NC 28358
(910) 739-3048

Ms. Brenda Brewer, Assistant D.A.
108 Elmore Street
Spindale, NC 28160

Mr. Earl Davis
112 Artillery Lane
Raleigh, NC 27609

Sen. Jesse I. Ledbetter
25 Braddock Way
Asheville, NC 28803
(704) 274-1780

Mr. Dave Masters
PO Box 357
Nags Head, NC 27959

The Honorable Bob Warren
2186 NC 242 North
Benson, NC 27504

Speaker's Appointments

Rep. Rex. L. Baker, Cochair
Route 6, Box 291
King, NC 27021
(910) 983-6658

Rep. Bobby H. Barbee, Sr.
PO Box 700
Locust, NC 28097
(704) 888-4422

Rep. Arlie F. Culp
8521 US Highway 64 East
Ramseur, NC 27316
(919) 824-2218

Rep. W. Robert Grady
107 Jean Circle
Jacksonville, NC 28540
(910) 455-9359

Rep. Howard J. Hunter, Jr.
PO Box 506
Murfreesboro, NC 27855
(919) 398-5630

Rep. David M. Miner
108 Lakewater Drive
Cary, NC 27511
(919) 460-7757

APPENDIX C

MINUTES OF FULL AND SUBCOMMITTEE MEETINGS

On the following pages are the approved minutes of all of the full committee meetings and subcommittee meetings of the Bingo Regulation Study Committee.

The signed originals of the minutes are on file in the committee notebook that is maintained in the Legislative Library.

MINUTES

JOINT LEGISLATIVE BINGO REGULATION STUDY COMMITTEE

Wednesday, January 7, 1998

1:00 p.m.

Room 605 Legislative Office Building

The Joint Legislative Bingo Regulation Study Committee met on Wednesday January 7, 1998, in Room 605 of the Legislative Office Building. In attendance were committee members: Representatives Baker, Co-Chair, Barbee, Culp, Earle, Grady, Hunter, Miner, and Wainwright, and Senator Weinstein, Co-Chair, as well as public members Earl David, Dave Masters, Betty Pitts and the Honorable Bob Warren. Also present were Ken Levenbook, staff attorney, and Dawn Ellis, Committee Clerk.

Representative Earle opened the meeting with a welcome to all . She explained her responsibilities serving as the LRC for the committee and thanked the members for their commitment to serve on the committee. She introduced the Co-Chairs and turned the meeting over to them.

Speaking next Representative Rex Baker explained a change in the posted agenda. He introduced staff attorney Ken Levenbook and stated Ken with his vast knowledge of the Bingo issue would give a brief history of the legislation regarding Bingo regulation.

Mr. Levenbook first highlighted the three basic mandatory rules of the Legislative Research Commission. He then explained the proposed budget for the Committee. Representative Baker asked the members if they had any questions. There were none and Representative Culp moved for adoption of the budget. The motion passed unanimously.

Representative Baker advised the members that Mr. Whaley was unable to serve on the committee and his replacement was Ms. Betty J. Pitts. He asked each member of the committee to introduce themselves and give some brief comments concerning their appointment to the committee.

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Representative Baker then requested that Ken Levenbook continue with his brief historical background explanation on Bingo Regulation. Mr. Levenbook told the committee the differences between Beach Bingo and Charitable Bingo. He referred to the rules and regulations of the LRC and they are attached to the minutes. He also referred to the handouts and those handouts also attached to the minutes.

When Mr. Levenbook finished Representative Baker thanked the members for their participation and gave an explanation of his involvement with this issue. Representative Baker then asked Senator Weinstein, Co-Chair, to address the committee.

Representative Grady stated he would like the Committee to hear from interested parties involved with Beach Bingo and Charitable Bingo. Representative Baker agreed with him and asked that at the next meeting a representative for Beach Bingo and Charitable Bingo speak to the Committee.

Mr. Warren, who had been a Senator in 1983, stated the intent of the law had been changed and he too felt the laws needed to be updated.

Representative Barbee stated the law enforcement issue was a real problem. Representative Culp agreed with him.

Representative Baker summarized and stated at the next meeting the agenda would focus on the issues of enforcement, level playing fields, and legislative intent .

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A meeting date of February 2, 1998, was selected . There being no further business the meeting was adjourned at 3:15 p.m.

Representative Rex Baker, Co- Chair, presiding

Dawn Ellis, Committee Clerk

MINUTES

JOINT LEGISLATIVE BINGO REGULATION STUDY COMMITTEE

Monday February 2, 1998

10:00 a.m.

Room 605 Legislative Office Building

The Joint Legislative Bingo Regulation Study Committee met on Monday, February 2, 1998, in Room 605 of the Legislative Office Building. In attendance were committee members: Representatives Baker, Co-Chair, , Culp, Earle, Grady, Hunter, Miner, and Wainwright, and Senator Weinstein, Co-Chair, as well as public members Earl Davis, Dave Masters, Betty Pitts and the Honorable Bob Warren. Also present were Ken Levenbook, staff attorney, and Dawn Ellis, Committee Clerk.

Senator Weinstein Co Chair, presided and opened the meeting by asking the Committee members to review the minutes from the previous meeting. He then advised the Committee they would hear from speakers representing Charitable Bingo and Beach Bingo. He requested that each speaker be able to speak without interruption and when the final speaker completed his comments he would open up the floor for questions, and comments .

The first speaker representing Beach Bingo was Otis Carter. Mr. Carter is a registered lobbyist , whose address is 5 W. Hargett St. Raleigh, N.C. 27611. Mr. Carter thanked the Committee for allowing him to speak. He then passed out a handout. The handout is attached to the permanent minutes and is marked #1 handout. He gave his opinion as to the history of Beach Bingo explaining Senator Weinstein in 1997, prior to presenting his bill on Bingo, asked both Charitable Bingo and Beach Bingo to meet and try to work out their differences. He stated Charitable Bingo would not sit down at the bargaining table, and he did not want the Committee to think it was Beach Bingo causing any problems. He said he knew there were problems in his industry, and that Beach Bingo was a profit driven industry. He continued by stating Beach Bingo pays state and employment taxes unlike Charitable Bingo that paid no taxes whatsoever .

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He stated Beach Bingo would be willing to sit down and try to work out the differences with Charitable Bingo. But they, Beach Bingo, did not wish to have Charitable Bingo tell them how to operate. "Would K-Mart tell Wal Mart how to operate their business," he asked? He further stated the General Assembly has visited the issue of Beach Bingo in the past and they had made no changes to date.

He then showed a packet of games from Charitable Bingo. The packet is attached to the permanent minutes and numbered handout #2. He then referred to Ms. Senters comments during the last meeting, that Charitable Bingo took in \$34 million in 1996 and only 3.1 or 3 .4 million was paid out to the charities and that figure was not even 10% of the money. He questioned if Charitable Bingo was able to police themselves. He stated again there were problems in the Beach Bingo industry. He added they have not been regulated and once Beach Bingo operators get an opportunity to break the law they will simply break it. He stated there is NO law enforcement to handle any of the regulations for either types of Bingo.

Representative Hunter stated he had a problem with gambling in the name of the Lord and gambling. He stated gambling no matter if it were run from a mom or pop operation or a church was one and the same. He felt that any law should be for everyone.

Page 3 or 4

Brenda Brewer answered questions put to the Committee by Representative Wainwright. These included, were all Charitable Bingo operators honest? She stated she felt sure there were individuals involved that were not. She also stated that ALE is the agency required to enforce the law.. Commenting further she stated that if you did not operate under the statutes you were gambling, but she thought there was a tremendous difference in the lottery and Bingo. That with the lottery a person could go in and purchase \$5,000.00 worth of tickets, while a person playing a Bingo game is limited to playing a game. She felt that past legislators looked at the nature of Bingo and how it is played Vs other forms of gambling and how much money is spent.

There was discussion from Representatives Miner, Baker, and Hunter regarding the purchasing of supplies by the Charitable Bingo operators. Answers to their questions came from staff person, Ken Levenbook as well as from Brenda Brewer.

Representative Earle asked what was the intent of the Committee? She wondered where the Committee stood on the Bingo issue. Did they want to regulate Bingo across the state? Did they want to do away with gambling in North Carolina?

Senator Weinstein stated they would address all her questions in a subcommittee.

Senator Weinstein stated the Co-Chairs were going to make some recommendations based on todays discussion. They were appointing a subcommittee to meet to draw up some concrete proposals to present to the full Committee. The date selected for the next full Committee meeting was Monday, March 2, 1998 at 10:00 a.m. in the same room. At that time he advised the Committee, the subcommittee would have some definite proposals. He then turned the meeting over to Representative Baker who made the appointments to the subcommittee and they are: Representative Earle, Rep Baker and Senator Weinstein will Co-Chair, Senator Ledbetter, Representative Hunter, Brenda Brewer and Dave Masters. Mr. Masters stated he could not be on the subcommittee as he was leaving on a month long trip. Appointed in his place was Bob Warren.

Representative Wainwright asked if there would be anyone representing Beach Bingo on the subcommittee. Senator Weinstein stated the subcommittee would be open to the public and they would consider both sides of the issue and hear input form anyone.

As there was no further business the committee adjourned.

Senator David Weinstein

Dawn Ellis, Committee Clerk
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MINUTES

JOINT LEGISLATIVE BINGO REGULATION STUDY SUB COMMITTEE

Monday February 16, 1998

1:00 P.M.

Room 612 Legislative Office Building

The Joint Legislative Bingo Regulation Study Sub Committee met on Monday, February 16, 1998, in Room 612 of the Legislative Office Building. In attendance were committee members: Representatives Baker, Co-Chair, and Beverly Earle, LRC member, Senators David Weinstein, Co-Chair, and Jesse Ledbetter, as well as public members the Honorable Bob Warren and Ms. Brenda Brewer. Also present Ken Levenbook, staff attorney, and Dawn Ellis, Committee Clerk.

Representative Rex Baker presided and opened the meeting by asking the Committee to refer to the agenda in their books. He explained that listed on the agenda were different options and directions he felt the Committee could take. Based on the outcome of the meeting, the Committee will then be able to decide what their recommendations would be and submit them to the full Committee.

The first item on the agenda was to discuss legislative intent. He requested the Committee discuss this issue first as it would be key to the Sub Committee deciding which way they would like to go. He then requested the Sub Committee take heed to what past legislatures have said pertinent to the Bingo issue whether they agreed with the current legislation or not.

Representative Baker led the discussion by asking the Sub Committee to refer to the General Policy Regulations. These regulations are attached in the permanent notebook labeled Regulations. Representative Baker asked Ken Levenbook, staff council if this was the latest language and Mr. Levenbook said yes. A follow up question by Representative Baker to Ken was had there been any case law, work, or definitions trying to clarify the existing regulations. Ken stated there were several cases that discuss constitutionality, and civil actions. But in his opinion there was nothing that specifically related to an interpretation of the legislative intent. Representative Baker said he would start the

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discussion by referring to Bingo Regulations S14 309.5, the fourth line. He felt this section was very clear. The legislative intent of this legislation is to put forth legislation that makes it legal for Charitable Bingo purposes only. That was the way he read the intent and he asked for comments from other Committee members.

Representative Earle stated she thought Bingo was Bingo and no matter whether it was Charitable Bingo or Beach Bingo it was gambling. In her opinion the focus need not be on the intent of past legislation. She felt that both needed regulating and enforcement.

Senator Warren said situations have changed tremendously, but the question was did the Committee want to legalize gambling? Senator Weinstein commented on the difficulty of law enforcement. He doubted that the state would ever outlaw Bingo and noted that Bingo was being played on the Indian Reservation, the military posts, and the adjoining states of Virginia and South Carolina.

Mr. Alexander representing Charitable Bingo was recognized for his comments. He stated their mission had not changed. The association believes that Beach Bingo should not be allowed to exist in North Carolina. They met with the Beach Bingo representatives because they believed the Sub Committee was moving towards item number three. Charitable Bingo feels the license costs should be different for each type of Bingo, due to the fact that there is significantly more regulations for the Charity side. He explained again how the cost for the license was paid for by the Charities. He stated Charity thought there should be a separate license for each location. The hours and days of operation should be known so that regulators could go and see the operations when they were open.

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Charitable Bingo feels that they should not have to fill out each prize winner with an address during an audit, this is burdensome. Some type of auditing and accounting requirement should be required for Beach Bingo operators and sessions. He felt the key to the recommendation was the separation of sessions by a minimum of twelve hours. The concept was so that two operators could not back their sessions up back to back. Charity Bingo thought there should be minor changes for themselves to increase their session limit to six hours and to decrease the time between sessions to twelve hours. Charity Bingo feels the prize limits should not be changed at all, that is should remain as is. The problem was law enforcement, and a regulatory commission was needed. Licensing fees should be increased for a pay as you go program. Strong enforcement should be on a state level so enforcement is the same throughout the state. Mr. Alexander stated that from the information given to him by Mr. Carter there were currently 372 Beach Bingo Operators.

There were several questions from Representative Earle, Senator Ledbetter, and others to Mr. Alexander and he gave his explanations. Representative Baker asked how strongly the Charitable Bingo folks felt that Beach Bingo should be outlawed. Mr. Alexander said the mission statement of Charitable Bingo refers to Beach Bingo being inappropriate. And that to allow Beach Bingo was not good public policy. He said that Beach Bingo had been operating for many years and the Charitable Bingo folks realized they would have to come to a compromise. Representative Bakers follow question to Mr. Alexander was what would his organizations reaction be if all Bingo were outlawed. Mr. Alexander stated he felt they would be devastated and very upset.

Mr. Carter was next to speak representing Beach Bingo. He had a handout out to present to the Sub Committee and it is marked and attached to the permanent minutes. He said Charity Bingo wanted Beach Bingo to have a license fee of \$1,000.00 and Beach Bingo thought an annual fee should be \$500.00. There should be audit requirements for both types of Bingo. As for sessions, Charity thinks they should be able to play two days a week a five hours per session and they recommend Beach Bingo should be open should be open five days a week and six hours per session. Mr. Carter said Beach Bingo was a business. An enterprise that is profit motivated. It is paying taxes and they should be able to operate seven days a week and as many hours a day as they want to. Beach Bingo also thinks the prize limit should be updated to \$50.00.

Representative Baker said he agreed with Beach Bingo when it stated it should not be regulated. They should not have to fill out forms, etc. however, he stated there were five members of the Sub Committee that wanted to regulate them.

Representative Earle asked again if Beach Bingo thought they should not have to submit an audit. Mr. Carter said Beach Bingo operators file forms with the Internal Revenue Service and that should be enough. He further stated Charitable Bingo should have to submit an audit, but the Beach Bingo folks should not have to have any audit requirements.

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Senator Weinstein stated he felt both sides should have a license fees and that Beach Bingo should pay more than Charity Bingo. He suggested \$500.00 for Beach, \$300.00 for Charity per location, with the money going towards enforcement. He also liked the idea of a Bingo Commission. He said he would like to see an increase in pay outs for Beach Bingo and that Charity Bingo remain the same. Mr. Carter commented he felt both sides should pay \$500.00 for license fees.

Senator Ledbetter said he felt there must be some type of consumer protection. A Commission could regulate Bingo. He felt the law was clear and that North Carolina law said is was against the law to gamble Yet the law has been compromised by Bingo.

MINUTES

JOINT LEGISLATIVE BINGO REGULATION STUDY SUBCOMMITTEE

Monday March 2, 1998

1:00 P.M.

Room 605 Legislative Office Building

The Joint Legislative Bingo Regulation Study Subcommittee met on Monday, March 2, 1998, in Room 605 of the Legislative Office Building. In attendance were committee members: Representative Baker, Co-Chair, LRC member Representative Beverly Earle, Representative Howard Hunter, Senators David Weinstein, Co-Chair, and Jesse Ledbetter, as well as public members the Honorable Bob Warren and Ms. Brenda Brewer. Also present Ken Levenbook, staff attorney, and Dawn Ellis, Committee Clerk.

Senator David Weinstein presided and called the meeting to order. Senator Weinstein asked for approval of the minutes from the previous meeting. Representative Baker pointed out two corrections to be made. The corrections were made and the minutes were approved. Senator Weinstein said the purpose of the meeting was to come to some finality and conclusion on getting a draft bill to present to the full committee. As Chair he set the following rule: no one other than the members of the Subcommittee will be recognized to speak during the meeting. Both sides of the Bingo issue had been heard from in previous meetings. He felt the Subcommittee could take Ken Levenbook's draft bill and come up with a recommendation for the full Committee.

He then requested Mr. Levenbook go through the draft bill paragraph by paragraph and give an explanation to the Subcommittee. If anyone on the Subcommittee had any additions, deletions, or any questions he requested they do it during Kens presentation.

Ken started his explanation by telling the Subcommittee how he put together the draft bill. He stated the general terms are in the beginning of the bill. There are separate subparts for Charitable Bingo, Commercial Bingo, and enforcement. He left raffles as it was since it was not the subject of the study committee. He reminded them this was only a working document. The draft bill is attached to the permanent minutes.

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He explained the first part of the draft bill regarding Charitable Bingo was virtually recodified from the current statutes. He stated line 22 page 1 talks about the purpose of the conduct of Commercial Bingo. This puts forth a rational basis for the regulation of Commercial Bingo. He told the Committee he added a new definition of what constituted a Bingo Game. In the old statutes there was confusion about the Bingo Games and or sessions. He tried to be more explicate in this bill regarding what constituted a Bingo session.

At S14-309.14 I. Charitable bingo: special licenses-Ken finished explanation of this section and Senator Ledbetter asked if there was a specific amount for a special license?

Ken said not in this draft, and Ms. Brewer stated currently special licenses were \$100.00. She suggested they add that amount to the draft bill. The Subcommittee agreed unanimously to put \$100.00 special license fee in the draft.

Subpart C- Commercial Bingo- S14-309.140. Ken stated this subpart may seem slightly repetitive but it is new, regulating Commercial Bingo for the first time. All the sections from subpart O till further down parallel the sections that apply to Charitable Bingo.

MINUTES

JOINT LEGISLATIVE BINGO REGULATION STUDY COMMITTEE

Monday March 16, 1998

10:00 A.M.

Room 605 Legislative Office Building

The Joint Legislative Bingo Regulation Study Committee met on Monday, March 16, 1998, in Room 605 of the Legislative Office Building. In attendance were committee members: Representative Baker, Co-Chair, Representative Barbee, Representative Culp, Representative Howard Hunter, Representative Grady, Representative David Miner, Representative Wainwright, Senators David Weinstein, Co-Chair, and Senator Jesse Ledbetter, as well as public members the Honorable Bob Warren, Betty Pitts, Earl Davis, Dave Masters and Ms. Brenda Brewer. Also present were Ken Levenbook, staff attorney, and Dawn Ellis, Committee Clerk.

Representative Rex Baker presided and called the meeting to order. He explained the Committee had before them the copy of the agenda. Senator Weinstein requested Representative Baker consider putting before the Committee for discussion the draft bill 98-LK-193A(2.16). The draft was the work of the Subcommittee. Senator Weinstein stated he wanted to let the full Committee hear and discuss both drafts Representative Baker's and the Subcommittee's. Representative Baker said the agenda would stay as published. Senator Weinstein further stated there had been several meetings of the Subcommittee and he felt it would be a waste of the taxpayer's money if they did not discuss the draft bill that came from the Sub Committee. He asked Representative Baker to reconsider and change the agenda. Representative Baker stated the Chair's decision was final.

Representative Baker stated in the last Sub Committee meeting there would be an alternative draft to be presented to them and the draft was on the agenda today. The problems that have been stated in this Committee over a period of time dealing with Beach and Charitable Bingo had not been addressed properly. Statistics have been given to the Committee that 65% of all Charitable Bingos are run illegally and he has seen a figure of 50% are operating outside the law. On the other side, Charitable Bingo has

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listed their many concerns about illegal operations of Beach Bingo. Numerous individuals have contacted him with concerns about the way Bingo was being operated in general and many of those same people would like to see Bingo outlawed. Further he said he had received correspondence from law enforcement individuals who talked about the problems they had in their specific areas. The draft before the Committee tries to set in motion procedure that will hopefully straighten up both sides and the two can coexist.

Some of the complaints regarding penalties that both sides have stated are addressed in the draft. It also, he said, tries to put responsibility into the Bingo law by making the officers and directors of the Charitable organizations responsible for their operations. It also tries to tighten up the penalties for Beach Bingo in the area of combining cards and also the \$50.00 pay off for the bundling of Bingo games. He has tried to look at the area of enforcement by including the Department of Revenue as one of the agencies that can go in and investigate the illegal acts. Or they could also determine they are operating Bingo legally. There is more money for the Department of Human Resources so they could have more money to keep track of all

Ms. Pitts asked the Committee to go back to page 7 line 20, no two Bingo sessions shall be held within 15 hours from 48 hours.. She questioned the change. Representative Baker said he did not know why the 48 hour stipulation was in there, but the 15 hour time frame prevented back to back operations. Mr. Masters asked if the 15 hours was from the end of the first session to the beginning of the second session. Representative Baker stated he thought it meant from the start of one to the end of the other. Mr. Levenbook stated there had been no interpretation of it. He asked the Committee for direction on this issue and

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said the Committee could clarify it in the statutes. Representative Baker asked Representative Grady if he would like to give staff a definition, he hesitated and Representative Baker said fifteen hours from the end of one session to the beginning of the second. The Committee agreed on this definition.

Mr. Levenbook explained section 5 remained the same. There was no change in the prizes but he did change game of Bingo to Bingo game to go along with the definition.

Representative Culp asked if there was a time limit on the sessions? Representative Baker answered 5 hours.

Ken explained section six and when he finished his explanation Ms. Brewer asked why the Department of Revenue was placed in this section and what interest they would have especially with a Charitable organization? Representative Baker said the Department had agents in the field and this was simply another resource.

Representative Culp asked why Bingo was put under the Department of Human Resources to begin with. Representative Baker said he did not know. Mr. Davis said he knew the answer and it was the Department of Revenue had Bingo and they did not want it. It took the Department of Revenue five years to rid themselves of Bingo.

Mr. Levenbook explained section 7 was a stylistic change and section 8 is a new section. Upon completion of his explanation Representative Baker said he wanted to go back to the section that had been flagged concerning fairs. Representative Baker said he felt the intent was a fair could operate one every night. He stated he did not have a problem with that section but if someone felt strongly about it they could propose new wording. Representative Grady said he felt they should do something about the wording. He said in Onslow County it is a commercial Bingo game and it is run by people who come with the fair. Some times they hire a few people to help do things like running errands, etc. He said he was sure it was a commercial game. Mr. Levenbook said he believed article 45 of chapter 106 talks about the regulations and conducts of the fairs. Ken further stated he thought it was the job of the regulators to make sure the games were properly conducted. Representative Grady commented he did not understand why the Committee would say to Charities they could not operate a Bingo game every night and allow someone from another state such as Florida to operate at fairs. Representative Baker stated the Committee would take a break and staff would have the answers when the Committee came back into session.

Senator Ledbetter said it would appear that what would really make the difference is who is responsible for the game not who is operating the game. Senator Weinstein said he would like the Committee to hold a vote to meet March 23, 1998, to hear the bill the Sub

Committee met for three times and worked on. Representative Baker stated he would not recognize the motion.

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Ms. Brewer said she understood Representative Baker's purpose for coming up with the draft bill was that both Charitable and Beach Bingo would self regulate themselves. There is no question that both areas could use some self regulation. But her question was how in the other meetings there had been extensive discussion on the issue of having Beach or commercial Bingo licensed, having a licensing fee for them and having them establish accountability for their operations. Representative Baker said this draft bill does not recognize that Beach Bingo is a legitimate gambling operation. He said everyone knew his view to regulate or license, legitimizes Beach Bingo and this draft would not do that. Ms. Brewer said by leaving it in the draft Representative Baker allows Beach Bingo to operate. So you are saying it was legitimate on one hand, but on the other hand you are not asking that they be licensed or account for any of their funds. Representative Baker addressed Ms. Brewer

Ms. Brewer said in answer to Representative Wainwright's questions the Subcommittee did allow both sides of the Bingo issue to speak and a draft bill was drawn up considering comments and input from both sides.

Representative Wainwright said if the full Committee did not get a chance to discuss the other draft bill in this meeting then in essence was the Co Chair saying if you do not take this you will not get anything? Representative Baker said that was a reasonable statement.

Representative Baker called on Ken Levenbook to explain the issue Representative Grady had asked to flag, this issue was regarding Bingo at state fairs. Ken said GS 106-
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520.3 was passed in 1949 and has neither been amended or interpreted since then. It says the Commissioner of Agriculture with the advise and approval of the State Board of Agriculture may make rules and regulations with respect to the classification, operation, and licensing of fairs, to insure such fairs shall conform to the definition of state fairs set out, and shall best promote the purpose of fairs as set out in such definition. The next section 106-520.4 says no county or regional fairs shall be licensed to be held unless that fair is operated under the supervision of the local board of directors who shall employ appropriate managers and who shall be responsible for the conduct of such fair and other wise comply with the standards, rules, and regulations promulgated to the Commissioner of Agriculture.

Representative Wainwright asked Representative Baker if the Committee could take a recess or have staff explain the differences in the two draft bills. Representative Baker said the other draft is not subject to discussion today. Representative Baker suggested after the meeting today for the Representative to meet with Ken and discuss the differences.

Representative Baker recessed the meeting for 5 minutes. Representative Baker recognized Representative Culp and Representative Culp motioned to adjourn. Representative Baker called for a vote and the meeting was adjourned.

Representative Rex Baker, Co-Chair

Dawn Amber Ellis, Committee Clerk

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MINUTES

JOINT LEGISLATIVE BINGO REGULATION STUDY COMMITTEE

Wednesday, April 8, 1998

10:00 A.M.

Room 605 Legislative Office Building

The Joint Legislative Bingo Regulation Study Committee met on Wednesday April 8, 1998, in Room 605 of the Legislative Office Building. In attendance were committee members: Representative Baker, Co-Chair, Representative Culp, Representative Grady, Representative Wainwright, Senator David Weinstein, Co-Chair, and Senator Jesse Ledbetter, as well as public members the Ms. Betty Pitts, Earl Davis, Dave Masters and Ms. Brenda Brewer. Also present were Ken Levenbook, staff attorney, and Dawn Ellis, Committee Clerk.

Senator David Weinstein presided and called the meeting to order. He welcomed everyone and thanked them for coming. He explained today the Committee would take up the Sub Committee draft bill. This draft was a compromise recommendation one that each side could live with he said. Senator Weinstein asked Ken Levenbook, staff attorney, to go through the draft with an explanation paragraph by paragraph. He continued by stating only the Committee members would have input in today's meeting and the Chair would not take any outside participation. The Chair stated the title of this draft is An Act To Re-Codify Existing Bingo Statutes and to Regulate Commercial Bingo, it is numbered 98-LK-193B(2.16). The Chair asked if anyone had additions or corrections to the minutes. There were no additions or corrections and the minutes were approved as written.

Ken Levenbook, staff attorney, started his lengthy explanation of the draft. The draft is attached to the permanent minutes. There were no questions on S14-309.14A. On 309.14B Senator Weinstein asked the Committee to look at line 13 on page 2. He wanted to add with Legislative Oversight to the Commission. Ken commented he felt the Committee needed to be very careful with the separation of powers. Since the Bingo Commission would be an administrative organization within the executive branch the

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Legislative Oversight Committee could not take an active role in any governing items. If they could not take an active role then leave it out, said Senator Weinstein.

Ken finished his explanation of S14. 309.14C and Mr. Masters asked to insert on line 12 of page 4 after 150 the word "games" for better clarification. The Chair asked for this to be done.

S14-309.14D Charitable Bingo- Ken explained each part and when he completed his comments Dave Masters asked to remove line 24 on page 4. Ms. Brewer gave her explanations as did Ken on this issue. The Chair asked for the permission of the Committee to take that line out. Representative Baker disagreed and Senator Weinstein called for a vote. The Committee voted to strike the line from the draft bill.

S14-309.14 E, F and G-There were no questions from the Committee on these sections.

Ms. Brewer made a motion to remove the words or more from line 22 on page 8. The Chair stated the words would be removed.

The Chair opened discussion again on section K- Charitable Bingo; limits on prizes. Mr. Davis asked what the Committee thought a reasonable amount of game prize limits should be for Charitable Bingo? Mr. Masters motioned to set the maximum prize raised

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for one Bingo game from \$500.00 to \$750.00, the \$1500.00 raised to \$2,000.00 and if played once a week \$2500.00 raised to \$3,000.00. The Committee voted and the motion was approved.

S14- 309.14 L- Ken explained this was a re codified section.

S14 309.14M-Mr. Masters asked if the Committee should put a specific time or date in the law. Ken stated he thought it would be best for the Commission to issue this rule. Mr. Masters asked if the same degree of latitude applied for Commercial Bingo? Ken said he believed it was that way.

S14 309.14 N There were no questions from the Committee on this section.

S14-309.14 O-Ms. Brewer said on line 21 and 22 page 10, this parts seems to open the door for many problems. She moved to delete this and number 2 under S14-309.14O. The motion carried.

S14-309.14P, Q, R There were no questions or comments on these sections.

S14-309.14 S- Mr. Masters asked why in this section it states regulations on line 30, page 12. Ken stated he would change all references to regulations to rules.

S14-309.14T- Ms. Pitts asked about where the special games would be conducted. This referred back to section S. Ken said the statutes have no specific location. Ms. Pitts was concerned if this would prohibit fraud, legalize more gambling. Ken reminded her that any place the games were being held had to be approved by the Commission.

S14-309.14U- Mr. Masters said on line 14 on page 13 it should read each not all. Ken disagreed for he thought it would mean more work and bookkeeping. Mr. Masters moved for all to read each. Ken gave a lengthy explanation as to why he felt it should remain all. Mr. Masters with drew his motion. Representative Baker asked if all the records and papers the Bingo Commission had would be open to the pubic under the public records law? Ken said they would be open. Representative Baker's follow up question was then the Federal and North Carolina tax forms would be available for public inspection? Ken said that would be correct.

S14-309.14V, and W There were no questions or comments on these sections.

S14-309.14 X- Senator Weinstein asked that this letter be incorporated in the draft bill. It's purpose would be to deal with a sunset. This is to find out if these regulations are working or not. He would prefer the sunset be for either two or three years. He felt both Charitable and Commercial Bingo would get along fine, but then on the other hand it might just fail. Representative Baker asked Senator Weinstein if he had any particular

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wording he wished to incorporate in the draft. Senator Weinstein said something like the wording Representative Baker had in his draft would be OK with him. Senator Weinstein then asked staff to create the proper language and make it a three year sunset. Ms. Brewer said she did not oppose having a three year review. However she had a problem with the sunset. She said she had been working with the Bingo issue for years. The problem from day one was the Legislature did not know anything about Bingo. When a group came before them with a bill they laughed. In her opinion the Legislature in three

MINUTES

JOINT LEGISLATIVE BINGO REGULATION STUDY COMMITTEE

Monday, April 20, 1998

1:00 p.m.

Room 605 Legislative Office Building

The Joint Legislative Bingo Regulation Study Committee met on Monday, April 20, 1998, in Room 605 of the Legislative Office Building. In attendance were committee members: Representatives Baker, Co-Chair, Barbee, Culp, and Earle, Senator Jesse Ledbetter, Senator Weinstein, Co-Chair, as well as public members, Ms. Brenda Brewer, Dave Masters, Betty Pitts and the Honorable Bob Warren. Also present were Ken Levenbook, staff attorney, and Dawn Ellis, Committee Clerk.

Representative Rex Baker, Co Chair presiding, called the meeting to order and explained the agenda. The first item on the agenda was the adoption of the minutes. The minutes from the prior meeting were not completed. Representative Baker asked the Committee to allow both Co Chairs upon their completion to allow them to adopt the minutes. The Committee approved this idea.

Representative Baker said one of the items he wanted the Committee to hear today were presentations and to get a chance to ask questions regarding the current enforcement procedures and problems dealing with the current Bingo law. He said he had received numerous complaints as Co Chair and before they had organized this Committee. Those complaints were that there was nothing really wrong with the current law if the laws were enforced. He continued by saying, we have also heard from people in the Western part of the state. Those people have said the word from Raleigh is the ALE and other areas were not going to enforce the Bingo laws because it was politically incorrect.

Representative Baker introduced Joseph Stewart, Special Assistant to the Secretary, N.C. Department of Crime Control and Public Safety. Mr. Stewart opened his remarks by advising the Committee ALE does not have original jurisdiction over Bingo in any form. He has been involved with investigations relative to Bingo

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operations only at the request of a local law enforcement agency or the District Attorney. In that capacity his agency has supplied undercover agents. ALE has a particular expertise among State Law Enforcement Agencies in conducting under-cover operations. Mr. Bill Patterson is the Assistant Director of ALE and he explained Bill was in the audience and would explain some of the operations to the Committee.

Any time the AIE is called upon to assist in an investigation they cooperate to the fullest extent possible. It would be untrue Mr. Stewart said, that ALE would shy away from any criminal investigation as a result of political influence. He said he had no knowledge of any instance in which they had shied away from an investigation relative to Bingo as a result of political influence being exerted.

said Terry was not familiar with Bingo but certainly was familiar and could help with procedures for the LRC. Representative Baker said the Committee would take an
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up or down vote in today's meeting.

He then opened the floor for discussion on the draft report. First to speak was Senator Weinstein and he thanked all the Committee members for their attendance. He said what really attracted his attention early on was when Mrs. Senter, Chief of the North Carolina Department of Health and Human Services, spoke to the Committee. She said she had been working with Bingo for the past ten years. She made this statement he said, the laws in North Carolina were obsolete. They needed to be changed and she felt that both Beach and Charitable Bingo needed to be regulated. And the regulations needed to be enforced.

Senator Weinstein continued by saying ,there was been five Committee meetings and two Sub Committee meetings and the issues have been well talked over. Although both sides are not in full agreement with the Committee, he feels they can live with this draft. He said it was a good and fair draft. Something that could be presented to the General Assembly. In closing he asked the Committee to consider the draft favorably.

Representative Baker said Senator Weinstein had spent a lot of time and effort on behalf of the Committee. That Senator Weinstein worked very hard and sincerely on this issue.

Ms. Brewer was recognized to speak and she stated for the record that her address should be changed in the draft. She said she felt overall this draft was a good compromise and it was a result of a lot of hard work.

Representative Earle said she was glad there was a compromise between the two groups. She felt this was only a first hurdle since it had to pass the LRC. She personally felt the bill was heavy to go forth in the short session. Whatever the Committee votes to do she will do, but in her opinion there is a lot of details for the bill to go forth into the short session.

Representative Culp asked if all bills taken up under LRC eligible for the short session? Mr. Sullivan answered anything that is recommended by the LRC can be taken up in the short session.

Representative Baker stated he thought everyone in the room understood where he was coming from on this issue since day one. In the last session he introduced a bill that would outlaw Beach Bingo because he thinks the Legislative intent is quite clear and the current operations of Beach Bingo is well outside the law. Unfortunately the laws are not being enforced. Charitable Bingo operators are either resorting to the same tactics that Beach Bingo are using and operating illegally. Or they are losing money and getting ready to shut down. So he explained to the people in his area if
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the legislation they are considering today were to become law it would be the death kneel of Charitable Bingo in North Carolina.

There are three items in this draft Representative Baker said that he did not like at all. Commercial Bingo would now be a legal gambling operation in the state. A state sanctioned commercial gambling for profit operation. Arguably there are some reasons for Charitable Bingo to operate and that is to raise money for Charities. He could think of no arguable reason to legalize Commercial for profit Bingo in North Carolina. If in fact the Committee legalized Commercial Bingo and it is now a legal business operating in North Carolina this bill is to heavy handed in its requiring reporting to the state. Representative Baker said he knew of no other legal business in the state that would require a business to file state and federal tax returns with a commission that would be open for public inspection. That is anti-business and he could never support a provision such as that one. The last item he could not support was establishment of the North Carolina Bingo Commission. He said he knows the Boxing Commission is interested in this

The Honorable Bob Warren said he had a dilemma with the bill. What else could the Committee add to the bill to make it better? On the other hand what good is it to turn the bill in if it is going to carry with it opposition to begin with. In weighing all the facts he would vote it out of Committee
Representative Baker said he wanted to address Mr. Masters comments. He
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reminded Mr. Masters that each legislator has many constituents and the legislators hear from many of them on issues. These constituents must be considered.

As there were no other comments the roll call vote was taken and is as follows:
Representative Bobby Barbee, Sr. yes, Ms. Brenda Brewer- yes, Representative Arlie Culp-yes, Representative Beverly Earle- yes, Senator Jesse Ledbetter- yes, Mr. David Master-yes, The Honorable Bob Warren- yes, Ms. Betty Pitts-yes, Senator David Weinstein-yes, and Representative Rex Baker- no

Representative Baker announced the bill would be sent to the LRC with approval. Directions to staff were to get everything done as quickly as possible. Representative Baker said if there were issues the Committee needed to work on let the Committee Clerk know.

Ms. Pitts asked what the LRC would do with this. Representative Baker referred the question to Mr. Sullivan. Mr. Sullivan stated the LRC usually transmits without comment the reports of its Committees. However there is a possibility it would be rejected and not taking it up or amending the report. Ms. Pitts followed up asking what date that would be and Mr. Sullivan answered May 11,1998, at 9:00 a.m.

As there was no additional business Representative Baker thanks all the Committee members and adjourned the meeting.

Representative Rex Baker, Co Chair

Dawn Amber Ellis, Committee Clerk

APPENDIX D

PROPOSED LEGISLATION

The following bill was approved by the full Bingo Regulation Study Committee for submission to the Legislative Research Commission for transmission to the 1998 Session of the General Assembly at the April 8, 1998 meeting.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

H/S

D

98-LK-193C(2.16)

(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)

Short Title: Bingo Study Recommendations.

(Public)

Sponsors: Bingo Regulation LRC Study Committee.

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO RECODIFY EXISTING BINGO STATUTES AND TO REGULATE
3 COMMERCIAL BINGO.
4 The General Assembly of North Carolina enacts:
5 Section 1. G.S. 14-309.5 through G.S. 14-309.14 are
6 repealed.
7 Section 2. Part 2 of Article 37 of Chapter 14 of the
8 General Statutes reads as rewritten:
9 "PART 2. Bingo and Raffles.
10 "Subpart A. Bingo, Generally.
11 "§ 14-309.14A. Public policy for charitable and commercial
12 bingo.
13 The General Assembly finds that charitable bingo provides a
14 source of income to nonprofit organizations and that commercial
15 bingo (formerly called 'beach bingo') provides a source of
16 recreation and entertainment for a significant sector of North
17 Carolina's citizens.
18 The purpose of the conduct of charitable bingo is to insure a
19 maximum availability of the net proceeds exclusively for
20 application to the charitable, nonprofit causes and undertakings
21 specified in this Part.
22 Commercial bingo serves as a form of recreation and
23 entertainment for a significant sector of North Carolina's
24 citizens.

1 (c) Meetings. -- Meetings of the Commission shall be called by
2 the Chair or by any two members of the Commission, and meetings
3 shall be held at least quarterly. Any two members of the
4 Commission shall constitute a quorum at any meeting. Action may
5 be taken and motions and resolutions adopted by the Commission at
6 any meeting by the affirmative vote of a majority of the members
7 of the Commission present at a meeting at which a quorum exists.
8 Any or all members may participate in a regular or special
9 meeting by, or conduct the meeting through the use of, any means
10 of communication by which all members participating may
11 simultaneously hear each other during the meeting. A member
12 participating in the meeting by this means is deemed to be
13 present in person at the meeting.

14 (d) Rule-Making Authority of the Commission. -- The Commission
15 shall have the exclusive authority to issue rules for the
16 regulation of all bingo games in this State. The rules shall be
17 issued pursuant to the provisions of Chapter 150B of the General
18 Statutes and shall comply with the remaining sections of this
19 Part.

20 (e) Compensation. -- None of the members of the Commission
21 shall receive compensation for serving on the Commission.
22 However, members of the Commission may be reimbursed for their
23 expenses in accordance with the provisions of Chapter 138 of the
24 General Statutes.

25 (f) Staff Assistance. -- The Commission is to be fully funded
26 from the license and other fees collected pursuant to this Part
27 and may hire or contract with personnel necessary to regulate all
28 forms of bingo and enforce the provisions of this Part using only
29 the receipts from those fees.

30 (g) Annual Budget. -- The Commission shall submit an annual
31 budget, through the Office of Budget and Management, for review
32 and approval by the General Assembly. The budget document shall
33 include reports on all income, expenditures, and enforcement
34 actions.

35 "§ 14-309.14C. Definitions.

36 For purposes of this Part, the term:

37 (1) 'Bingo' means a specific game of chance played with
38 individual cards having numbered squares ranging
39 from one to 75, in which prizes are awarded on the
40 basis of the pattern of positions of randomly
41 selected numbers on the cards conforming to a
42 predetermined pattern (but shall not include
43 'instant bingo' which is a game of chance played by
44 the selection of one or more prepackaged cards,

1 organization, volunteer fire department, or a
2 volunteer rescue squad.

3 If the organization has local branches or chapters,
4 then the exempt organization is the local branch or
5 chapter actually conducting the bingo games.

6 (2) An organization that has been in continuous
7 existence for one year in the county where the
8 bingo games are actually conducted.

9 "§ 14-309.14E. Charitable bingo; licensing procedure.

10 (a) An exempt organization may not operate a bingo game at a
11 location without a license. An exempt organization shall apply
12 to the Commission for a bingo license on a form prescribed by the
13 Commission. The Commission shall charge license fees adequate to
14 generate funds for the regulation of bingo and enforcement of the
15 provisions of this Part but not to exceed three hundred dollars
16 (\$300.00) per license. The Commission may issue annual and
17 special licenses. The fees collected shall be used by the
18 Commission for the regulation of bingo and the enforcement of the
19 provisions of this Part in accordance with the budget approved
20 pursuant to G.S. 14-309.14B(g).

21 (b) The annual license shall:

22 (1) Expire on the anniversary or its issuance.

23 (2) Be annually renewable only if the applicant:

24 a. Pays the license fee.

25 b. Files an annual audit with the Commission
26 pursuant to G.S. 14-309.14M.

27 (c) Each application and renewal application for an annual
28 license shall contain all of the following information:

29 (1) The name and address of the applicant and, if the
30 applicant is a corporation, association or other
31 similar legal entity, the name and home address of
32 each of the officers of the organization as well as
33 the name and address of the directors, or other
34 persons similarly situated, of the organization.

35 (2) The name and home address of each of the members of
36 the special bingo committee.

37 (3) A copy of the application for recognition of
38 exemptions and a determination letter from the
39 Internal Revenue Service and the Department of
40 Revenue that indicates that the organization is an
41 exempt organization and stating the section under
42 which that exemption is granted; except that if the
43 organization is a State or local branch, lodge,
44 post, or chapter of a national organization, a copy

1 (b) The structure in which the bingo sessions are held shall
2 be a permanent structure with approved plumbing for bathrooms and
3 shall not be movable or temporary such as a tent or a lean-to.

4 (c) The total monthly rent shall not exceed an amount equal to
5 one and one-half percent (1 1/2%) of the total assessed ad
6 valorem tax value of the portion of the building actually used
7 for the bingo games and the value of the land, not to exceed two
8 acres, on which the entire building is located.

9 (d) The lease shall be for a period of not less than one year.

10 (e) The building shall have been actually occupied and used by
11 that organization on a regular basis for purposes other than
12 bingo for at least six months before the conducting the first
13 bingo session.

14 (f) Unless the exempt organization leases the property in
15 accordance with this subsection, an exempt organization may
16 conduct a bingo game only in or on property that is exempt from
17 property taxes levied under Subchapter II of Chapter 105 of the
18 General Statutes, or that is classified and not subject to any
19 property taxes levied under Subchapter II of Chapter 105 of the
20 General Statutes.

21 (g) Conduct of a bingo game or raffle under this Part on such
22 property shall not operate to defeat an exemption or
23 classification under Subchapter II of Chapter 105 of the General
24 Statutes.

25 "§ 14-309.14H. Charitable bingo; equipment.

26 All equipment used by the exempt organization in conducting the
27 bingo sessions shall be owned by the organization.

28 "§ 14-309.14I. Charitable bingo; special licenses.

29 (a) Special licenses may be issued by the Commission to an
30 exempt organization that wants to conduct one or two bingo
31 sessions per year. The Commission may require any reasonable
32 information needed to determine that the bingo session is
33 conducted in accordance with the provisions of this Part and the
34 applicable rules, but the Commission may not require more
35 information than is required on the application for an annual
36 license.

37 (b) Applications shall be filed with the Commission at least
38 30 days before the scheduled date of the bingo session.

39 (c) The fee for a special charitable bingo license shall be
40 one hundred dollars (\$100.00).

41 (d) The exempt organization shall file with the Commission, no
42 later than 30 days after the bingo session, a report, on the
43 forms prescribed by the Commission, containing any reasonable
44 information needed to determine that the bingo session was

- 1 (4) Purchase of supplies and equipment.
2 (5) Payment of taxes and license fees related to bingo.
3 (6) The compensation authorized in G.S. 14-309.14F(b).
4 (7) The purposes set forth in subsection (d) of this
5 section.
6 (c) All payments made pursuant to subsection (b) of this
7 section shall be made by consecutively numbered checks.
8 (d) Any net proceeds available in the account after payments
9 made pursuant to subdivisions (1) through (6) of subsection (b)
10 of this section shall inure to the exempt organization to be used
11 for any of the following:
12 (1) For religious, charitable, civic, scientific,
13 testing, public safety, literary, or educational
14 purposes.
15 (2) For purchasing, constructing, maintaining,
16 operating or using equipment or land or a building
17 or improvements to the building owned by and for
18 the exempt organization and used for civic purposes
19 or made available by the exempt organization for
20 use by the general public from time to time.
21 (3) For fostering amateur sports competition.
22 (4) For the prevention of cruelty to children or
23 animals.
24 (e) No proceeds shall be used or expended for social functions
25 for the members of the exempt organization.
26 "§ 14-309.14M. Charitable bingo; audit and accounting.
27 (a) An audit of the account required by G.S. 14-309.14L(a)
28 shall be prepared annually for the period of January 1 through
29 December 31 or otherwise as directed by the Commission. The
30 audit shall be prepared on a form approved by Commission and
31 shall include all the following information:
32 (1) The number of bingo sessions conducted or sponsored
33 by the licensed exempt organization.
34 (2) The location, date, and prize for each bingo game.
35 (3) The gross receipts for each bingo session.
36 (4) The cost or amount of any prize given for each
37 bingo game.
38 (5) The amount paid in prizes at each bingo session.
39 (6) The net proceeds inuring to the exempt
40 organization.
41 (7) The disbursements from the separate account and the
42 purpose of those disbursements, including the date
43 of each transaction and the name and address of
44 each payee, other than prize winners.

1 c. Has complied with all local and state
2 regulations for the operation of this type of
3 business.

4 (c) Each application and renewal application for an annual
5 license shall contain all of the following information:

6 (1) The name and address of the applicant, and if the
7 applicant is a corporation, association, or other
8 similar legal entity, the name and home address of
9 each of the officers of the applicant as well as
10 the names and addresses of the directors, or other
11 persons similarly situated, of the applicant.

12 (2) The name and address of a formally designated
13 natural person who shall serve as the applicant's
14 agent for any actions related to the enforcement of
15 this Part.

16 (3) If the applicant is a corporation, association, or
17 other similar legal entity, a copy of the
18 applicant's articles of incorporation and bylaws or
19 similar documents under which the applicant
20 operates.

21 (4) The location at which the applicant will conduct
22 the bingo sessions.

23 (5) The days of the week and times at which the
24 applicant will conduct the bingo sessions.

25 "§ 14-309.140. Commercial bingo; designated agent.

26 In order for the commercial bingo operator to have a natural
27 person who shall be:

28 (1) Familiar with the operation of commercial bingo;

29 (2) Responsible for receiving, disbursing, and
30 reporting all of the revenues; and

31 (3) Responsible for compliance with this Part and the
32 rules governing the conduct of commercial bingo,

33 the governing body of the applicant, if the applicant is a
34 corporation, association, or other similar legal entity, shall by
35 formal action appoint a natural person who shall serve as the
36 applicant's agent for any actions related to the enforcement of
37 this Part.

38 "§ 14-309.14R. Commercial bingo; location for bingo sessions.

39 The commercial bingo applicant may hold commercial bingo
40 sessions only at the location listed in the application and
41 listed on the issued license. The structure in which the bingo
42 sessions are held shall be a permanent structure with approved
43 plumbing for bathrooms and shall not be movable or temporary such
44 as a tent or a lean-to. The location at which commercial bingo

- 1 (1) The location, date, number of bingo games, and
 2 total prizes awarded at each bingo session.
 3 (2) The monthly total gross receipts for each bingo
 4 session.
 5 (3) The monthly net return profit to the applicant.
 6 (4) A copy of the most recent federal and North
 7 Carolina income tax form and attached schedules
 8 filed by the applicant.

9 (b) Any person who shall willfully furnish, supply, or
 10 otherwise give false information in any audit or statement filed
 11 pursuant to this section shall be guilty of a Class 2
 12 misdemeanor.

13 (c) All books, papers, records and documents relevant to
 14 determining whether an organization has acted or is acting in
 15 compliance with this section shall be open to inspection by the
 16 law-enforcement agency or its designee, or the district attorney
 17 or his designee, or the Commission at reasonable times and during
 18 reasonable hours.

19 "§14-309.14V. Public sessions.

20 All commercial bingo sessions shall be open to the general
 21 public.

22 "Subpart D. Enforcement.

23 "§ 14-309.14W. Violations.

24 (a) Civil Penalties. -- The Commission may:

25 (1) Upon a finding of probable cause that a violation
 26 of any provision of this Part, or the rules issued
 27 pursuant to this Part, has occurred, seize the
 28 violator's license for a period of up to 30 days
 29 before holding a fact-finding hearing on the
 30 alleged violation.

31 (2) Issue an order against a licensee or other person
 32 who willfully violates any provision of this
 33 Article, imposing a civil penalty of up to one
 34 thousand dollars (\$1,000) for any single violation
 35 of any provision of this Part, or the rules issued
 36 pursuant to this Part.

37 No order under this subsection may be entered
 38 without prior notice and an opportunity for a
 39 contested case hearing conducted pursuant to
 40 Article 3 of Chapter 150B of the General Statutes.

41 (b) Criminal Penalties. --

42 (1) A willful violation of any provision of this
 43 Part, except for G.S. 14-309.14K(a) or (b) or

ANALYSIS OF PROPOSED LEGISLATION

Section 1 of the bill repeals the current statutes regulating charitable bingo and exempting "beach bingo" from regulation.

Section 2 of the bill recodifies and adds the regulation of commercial bingo to Part 2 of Article 37 of Chapter 14 of the General Statutes. The bill creates a new Subpart A. that applies to bingo, generally, a new Subpart B. that applies to charitable bingo only, a new Subpart C. that applies to commercial bingo only, a new Subpart D. that provides for enforcement, and a new Subpart E. that contains the current statute regulating raffles which has not been changes.

The general scheme of the new Part 2 is to enumerate sections as § 14-309.14 with a new capital letter for each section.

Subpart A. Bingo, Generally.

G.S. 14-309.14A provides the public policy for charitable and commercial bingo. It carries forth the public policy contained in the current law and expands it to apply to commercial bingo.

G.S. 14-309.14B creates a three member North Carolina State Bingo Commission, provides appointment and operations guidelines for the Commission.

G.S. 14-309.14C provides definitions applicable throughout the new Part 2. The definitions of "bingo," "bingo game," and "bingo session" are rewritten to clear up some of the confusions in interpreting the previous statutes.

Subpart B. Charitable Bingo.

G.S. 14-309.14D provides the purposes for and the general scheme of regulation of charitable bingo.

G.S. 14-309.14E provides the licensing procedure for charitable bingo operators.

G.S. 14-309.14F provides for a special bingo committee and for paid personnel to be familiar with bingo regulations and the requirements of the statutes.

G.S. 14-309.14G provides for the locations for bingo sessions.

G.S. 14-309.14H provides for owner of bingo equipment.

G.S. 14-309.14I provides for special licenses for exempt organizations wanting to hold one or two bingo sessions per year.

G.S. 14-309.14J provides for limits on charitable bingo sessions.

G.S. 14-309.14K provides for limits on charitable bingo prizes.

G.S. 14-309.14L provides for the use of the proceeds from charitable bingo sessions.

G.S. 14-309.14M provides for annual audits and accountings by exempt organizations conducting charitable bingo sessions.

