

Minutes of the Joint Legislative Oversight Committee  
February 13, 2012  
Capitol Auditorium  
Boise, Idaho

Co-chair Representative Cliff Bayer called the meeting to order at 4:35 p.m. Attending the meeting were Senators Elliot Werk (co-chair) and Dean Mortimer, and Representatives Maxine Bell, Elaine Smith, and Shirley Ringo. Also present were Rakesh Mohan, director, Margaret Campbell, administrative coordinator, and other OPE staff.

Co-chair Bayer welcomed the audience, including:

Donna Jones, controller, Office of the State Controller

Brandon Woolf, chief of staff, Office of the State Controller

Jeff Anderson, director, Idaho State Lottery

Becky Schroeder, chief operating officer, Idaho State Lottery

**APPROVAL OF JANUARY 23, 2012, MINUTES**

**Senator Werk moved to approve the minutes of the January 23, 2012, meeting.**

**Representative Bell seconded the motion, and it passed unanimously by voice vote.**

**REPORT RELEASE: *LOTTERY OPERATIONS AND CHARITABLE GAMING***

**Representative Ringo moved to receive the report *Lottery Operations and Charitable Gaming*. Senator Werk seconded the motion, and it passed unanimously by voice vote.**

*Senator Michelle Stennett arrived to the meeting.*

Mr. Mohan said JLOC assigned the office to look at the Lottery operations and charitable gaming in March 2011. He thanked staff at the Idaho Lottery, particularly Jeff Anderson, director, and Becky Schroeder, chief operating officer. Jared Tatro, senior evaluator, summarized the report. Mr. Tatro said the evaluation looked at operations and recommended revising a section of statute to define which expenses should be applied to the Lottery's advertising cost cap of 3.5 percent. The Lottery included all contracted advertising costs, but it did not include more than \$435,000 annually in personnel and operating costs from its in-house marketing division. Mr. Tatro recommended the Legislature determine whether the intent of the statute was to include in-house costs.

The evaluation had also looked at the regulations of charitable gaming. Mr. Tatro said nonprofit organizations with a charitable purpose could conduct bingo games and raffles to generate revenue for a charitable purpose. Nonprofits that met specified dollar thresholds for prizes needed licensing by the Idaho Lottery. In fiscal year 2011, 196 licensed nonprofits conducted charitable gaming and self-reported allocating \$3.7 million to charitable purposes. Evaluators found that nonprofits faced some statutory burdens that could be relieved by applying five recommendations from the report.

Senator Stennett noted that charitable gaming regulated bingos more heavily than raffles and asked about the historical rationale. Mr. Tatro said he had not researched the rationale but suggested that bingo generated more money per event and was a greater risk for fraud when compared with raffles.

Senator Werk thanked the office for a great report that was also succinct. He referred to a legislative recommendation to define advertising costs and asked about best practices for code modification. Mr. Tatro said he would look for some code clarity in his research of other states and provide it to the committee.

Co-chair Bayer called on Jeff Anderson, director, Idaho State Lottery, to address the committee. Mr. Anderson commended OPE for its work, saying it was thoughtful and professional. Referring to the recommendation to define advertising costs, Mr. Anderson said the recommendation made sense but thought the advertising cap could be better defined by what was not included in it—primarily the wages of the marketing team and general overhead of the Boise office.

Mr. Anderson concurred with the five recommendations for charitable gaming and outlined his intent to implement them:

1. Working on an online form for licensed nonprofit organizations to submit their annual reports
2. Preparing statutory language for the Lottery Commission, which will be forwarded to the Legislature, to clarify record retention for nonprofits which conduct bingo games
3. Supported changing annual licensing to multiyear licensing for raffles but recommended against changing the licensing for bingo primarily because of the complexity of the game—bingo tended to be a cash-only event and some games generated up to \$1 million a year
4. Preparing changes to remove raffle prize maximums from Idaho Code and put in Administrative Code
5. Supported the removal of Christmas tree auctions from statute because the fundraisers did not fall under the definition of gambling

Mr. Anderson said the Lottery's administrative cost to oversee charitable gaming exceeded fees collected from licenses by approximately \$60,000.

Representative Bell asked whether the Lottery had adequate time during the 2012 session to make statutory changes. Mr. Anderson said he could provide a more thoughtful approach if he waited until the 2013 session.

Senator Werk asked whether the Lottery would be working on statutory language to provide a definition in code. Mr. Anderson said that communication methods used today did not exist five years ago, and a specific definition in code could quickly become outdated. He said a general

definition such as “any expenses used to communicate with stakeholders, retail partners, and players” might work but the easiest definition would be to list those things not included in the cap. Mr. Anderson said that all Lottery staff, not just the in-house marketing division, dealt with some marketing aspects. Parsing out the percentages of employee time to include in the cap could get confusing. Senator Werk indicated that a good definition of advertising costs could mitigate confusion down the road. He asked the director to consider this step carefully so the state can minimize any potential upset with future administrations.

Senator Werk asked whether the Lottery would develop language to eliminate Christmas tree fundraisers from statute next year. Mr. Anderson said he would.

Senator Werk asked whether an online form for licensing nonprofits would reduce the \$60,000 oversight cost funded with lottery dollars. Mr. Anderson said the online process may mitigate some cost but probably not. Senator Werk asked whether the Lottery would propose an increase in fees to cover the cost of operation. Mr. Anderson said he may consider it; however, many nonprofits were small and did great work in their communities. He said he needed to be careful about maintaining a good balance. Senator Werk said he understood the need to find the sweet spot but indicated that schools were subsidizing the licensing overhead.

**Senator Werk moved to conduct a follow-up review in one year. Senator Stennett seconded the motion, and it passed unanimously by voice vote.**

#### **REQUESTS FOR EVALUATION**

Co-chair Bayer said that Representative Rusche had submitted a request for evaluation but could not attend to speak to his request. Co-chair Bayer asked members to review the request and other requests as they are received so they will be prepared to discuss topics and select evaluations at the next JLOC meeting on February 27.

*The meeting adjourned at 5:15 p.m.*