

Testimony to Senate Select Committee on Gaming

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Chairman Schuring, Vice-Chairman Manning, and members of the Committee. Thank you for the opportunity to provide testimony today in support of legislation to permit Electronic Instant Bingo for charitable fundraising in Ohio.

My name is Mary Magnuson. I am the Vice President for Government Affairs for Arrow International. I was introduced to charity gaming over 30 years ago as the Managing Attorney for the Gaming Division in the Minnesota Attorney General's Office. After leaving the Attorney General's Office, I served as the Executive Director and General Counsel for the National Association of Fundraising Ticket Manufacturers (NAFTM), a trade association for manufacturers of charitable gaming supplies. While working with NAFTM, I was directly involved in charitable gaming legislation, rules and policy development in more than 25 states, including all of the states that currently permit electronic instant bingo for charitable fundraising. I have also worked closely with the North American Gaming Regulators Association in the development of model standards for bingo and instant bingo, and I assisted the National Council of Legislators from Gaming States in the development of model charity gaming legislation.

Arrow International is the world's largest manufacturer of charitable gaming solutions. We manufacture everything a charitable organization needs to conduct charitable games, including electronic instant bingo systems, bingo paper, daubers, instant bingo tickets and electronic bingo aids. Arrow has manufacturing facilities in the United States, Canada and the United Kingdom, and employs over 1100 team members. We currently hold 122 gaming licenses and sell our products in over 80 countries around the world. We are proud to say our headquarters and largest manufacturing facility is located just up the road in Cleveland, Ohio. We have an outstanding team of nearly 500 Ohioans working with us every day.

Charitable gaming is legal in some form in every state except Utah and Hawaii and typically consists of bingo, instant bingo, raffles and to a lesser extent, casino or Monte Carlo nights. Instant bingo, also known as pull tabs, is legal in 38 states. Every year since 1987, NAFTM has issued a Report on Charity Gaming in the United States.¹ Year after year, as we tracked charity

¹ Reports from 2001-2019 can be found at www.naftm.org.

gaming gross and net revenue, we saw that instant bingo proceeds surpassed all of the other charitable games by significant amounts. Bingo brings in the players. *Instant bingo brings in the money.* And as you have heard from the veterans and other nonprofit groups who have testified before the committee, instant bingo provides critical fundraising for many important charitable and community programs throughout Ohio.

Electronic instant bingo is a natural extension of the popular paper game. It is, in fact, the paper game played in a modern, electronic format. Each electronic game is distinct and carries a unique serial number. Each game contains a finite number of tickets. The winners are predetermined, not randomly generated on the device, and there is a fixed and definite payout. Electronic instant bingo offers automated real time reporting and enhanced auditing features, making it easier for charities to operate and for the state to regulate.

In the last several years, a number of states have embraced the technology provided by electronic instant bingo. Currently, electronic instant bingo is legal in 8 states for charitable gaming, and legislation is pending in 2 others. Implementation and operation of electronic instant bingo has been largely successful, although not without a few challenges. Ohio is well positioned to learn from those other states as you consider possible electronic instant bingo legislation.

In our view, and based on experience from other jurisdictions, there are 4 pillars that we hope you will consider as the foundation for any electronic instant bingo legislation:

1. Consistent Regulation. The Attorney General has developed a strong regulatory framework for charitable bingo in Ohio and has the knowledge and expertise to launch and oversee the operation of electronic instant bingo. We believe the Attorney General's Office is best positioned to regulate bingo in Ohio, including electronic instant bingo.
2. Strict Eligibility Criteria. The primary goal with any charitable gaming legislation is to ensure that the money raised from the gaming activity is exclusively devoted to charitable purposes. We support legislation that strengthens the existing regulatory framework by establishing a separate licensing or endorsement process, with strict eligibility criteria, for manufacturers and distributors of electronic instant bingo systems. Applicants should be required to demonstrate not only a lack of past criminal convictions, but also a history of law abidance in Ohio and in every other jurisdiction in which they do business. Experience in other states has shown us that electronic gaming, including electronic instant bingo, can attract a host of interested participants, including hastily created fly-by-night or illegal operators from other states who see an opportunity to make a quick buck at the expense of the charities. Strict eligibility criteria in any legislation is critical to protecting Ohio's charities so that the money raised from electronic instant bingo is indeed, devoted to charitable purposes.
3. Comprehensive Regulation. Legislation is not well-suited to all the detailed regulation needed for electronic instant bingo. Therefore, legislation should provide the Attorney

General with broad powers to adopt rules governing electronic instant bingo. These rules should include detailed technical standards for electronic instant bingo devices and systems, testing by an independent testing laboratory, access requirements for the hardware and software, and an approval process for all devices and systems.

4. Fair and Effective Enforcement. Finally, based on my experience, the law should ensure that the Attorney General has resources and authority to effectively monitor electronic instant bingo operators, distributors and manufacturers for law and rule compliance, as well as the resources it needs to take appropriate action for violations. This includes the ability to investigate and if necessary, initiate action to suspend, revoke, limit or condition any license or impose civil penalties against any licensee.

HB 65, along with HB 282 and SB 345 from the 133rd General Assembly, provides a strong starting point for any electronic instant bingo legislation developed by the committee, and HB 65 in particular, goes a long way toward incorporating these 4 pillars.

We would suggest only a few changes that we believe will align any bill with best practices from other states:

1. Enhanced Background Investigations. A robust licensing program, with strict eligibility criteria, requires comprehensive background investigations of all applicants as well as their officers, directors, and financial partners of 10% or more. The background investigations must go beyond basic criminal history checks for past criminal convictions and should include a review of administrative violations and licensing sanctions from other jurisdictions. To accomplish this, it is common for gambling regulatory agencies to charge a separate investigation fee to manufacturers of gaming supplies, and we recommend that this requirement be added to any bill. The fee is usually a one-time amount that is paid when the license is issued, which allows the agency to delve deeper into the applicant's past, examine its current practices in other states, and its history of law abidance—both criminal and regulatory. It also permits the agency to examine the individuals who operate, and most importantly own, the applicant to ensure their individual suitability for licensing. Corporate structures can be complicated and at times, can obscure or even hide true ownership. Background investigations, if comprehensive, peel back the corporate layers and provide the necessary tools to make eligibility determinations based on all relevant information.
2. Central Server in Ohio. Each electronic instant bingo system has a central server, which is the location where the games reside, and where the data is collected and stored. States that have approved electronic instant bingo require the central server to be located in the state so that the regulatory agency has physical access to the server and can verify that is it properly secured. We suggest that this requirement be added to any bill.
3. Real Time Access. Previous legislation, as well as HB 65, require “real time” access to the electronic instant bingo system. Most states have adopted some type of “real time” access requirement in rule, rather than in legislation, because “real time” actually involves some transmission delay. We suggest that any “real time” access requirement

be left to the Attorney General to establish by rule. This will allow the Attorney General to evaluate and take into consideration the requirements of other states so that manufacturers of electronic instant bingo systems are not required to engineer a special “real time” requirement for Ohio.

Again, thank you for the opportunity to testify today. We look forward to working with the committee as it develops and considers legislation for electronic instant bingo. I would be happy to answer any questions.