

SUNSET REVIEW

COLORADO REGULATION OF

THE BINGO AND RAFFLES LAW

PREPARED BY

THE COLORADO DEPARTMENT OF REGULATORY AGENCIES

JUNE 1992

June 30, 1992

The Honorable Bob Schaffer
Joint Sunrise/Sunset Review Committee Chairman
Room 348, State Capitol Building
Denver, Colorado 80203

Dear Senator Schaffer:

We have completed our evaluation of the Colorado Bingo and Raffles Law and are pleased to submit this written report which will be the basis for my office's oral testimony before the Joint Legislative Sunrise/Sunset Review Committee. The report is submitted pursuant to section 24-34-104(8)(a), Colorado Revised Statutes, which states in part:

The Department of Regulatory Agencies shall conduct an analysis and evaluation of the performance of each division, board, or agency or each function scheduled for termination under this section... The Department of Regulatory Agencies shall submit a report and such supporting materials as may be requested, to the Sunrise and Sunset Review Committee, created by joint rule of the Senate and House of Representatives, no later than July 1 of the year preceding the date established for termination...

The report discusses the question of whether there is need for the regulation provided under the Bingo and Raffles Law pursuant to C.R.S. 12-9-101 et. seq. as amended. The report also discusses the effectiveness of the regulatory program in carrying out the intention of the statute and makes recommendations for statutory and administrative changes if the program is continued.

Sincerely,

Steven V. Berson
Executive Director

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EXECUTIVE SUMMARY

The Department of Regulatory Agencies has completed its 1992 Sunset Review of the Bingo and Raffles Law and recommends that the regulation of charitable gaming should continue. The Department finds that because of the inherent potential for corruption in charitable gaming, strict regulatory oversight is necessary to ensure the integrity of control over the manufacturers of gambling equipment, the distribution channel, bingo hall landlords and the organizations conducting charitable gaming operations.

Since the legalization of bingo and raffles in 1958, the operation of charitable gaming has grown significantly. Today, charitable gaming in Colorado is a multimillion-dollar business that has expanded from church basements into large commercial bingo halls. Legislation passed in 1990 increased the regulatory authority of the Office of the Secretary of State (Office) regarding the bingo and raffles law. This legislation provides for licensure requirements for all persons involved in the commercial aspects of charitable gaming and certification of games managers. In addition, it enables the Office to track the flow of business between bingo/raffle licensees and manufacturer and supplier licensees.

The Department makes numerous recommendations to improve the effectiveness of the bingo and raffles law that include:

- * Removal of the bingo and raffles law from the State Constitution
- * Implementation of a raffles only license
- * Authority to use an administrative law judge
- * Creation of an advisory committee
 - * Differentiating between a "free drawing" and a "raffle"
 - * Improvement of the management of complaints received
 - * Development of procedures for interpreting and documenting violations

With the passage of HB 1206 during the 1992 legislative session, racing joins the lottery and limited stakes gaming programs being administered by the Colorado Department of Revenue. The Department recommends that a task force study the possibility of transferring the regulation of charitable gaming to the Colorado Department of Revenue, thereby consolidating all gaming activities in the State of Colorado in one department.

I. THE SUNSET PROCESS

The licensing functions of the Office of the Secretary of State regarding Bingo and Raffles is scheduled to terminate on July 1, 1993 unless continued by the General Assembly pursuant to C.R.S. 24-34-104(22.1)(a). During the year prior to that date, it is the responsibility of the Department of Regulatory Agencies to conduct a Sunset Review and Evaluation of the Bingo and Raffles Law. During this review, the Office of the Secretary of State must demonstrate the need for continued regulation and that the regulation provided is the least restrictive consistent with the public interest. The Department's findings and recommendations are submitted via this report to the Joint Legislative Sunrise and Sunset Review Committee of the Colorado General Assembly. (Statutory criteria used in Sunset Reviews may be found in Appendix A of this report.)

As part of this sunset review process, The Department of Regulatory Agencies interviewed the staff of the Secretary of State's Office, bingo/raffle licensees, landlord licensees, manufacturer and supplier licensees, games managers, bingo players, and representatives of the legal profession. In addition, the Department conducted site visits at a number of bingo sessions and participated in games manager certification training. Other states were contacted regarding their licensing and regulatory policies and procedures. A survey of selected bingo/raffle games managers was conducted. (Please see Appendix D) In addition, complaints from 1989 through 1992 were surveyed.

This Sunset Report is the first to be performed on the licensing functions of the Office of Secretary of State regarding the Bingo and Raffles Law.

II. INTRODUCTION II. INTRODUCTION

Bingo is estimated to be the third largest gambling activity in the United States. According to The Journal of Charity Gaming, May 1989, over 81 million Americans play bingo regularly. Industry commentators say that Americans spend ten times as much money on bingo as on baseball, basketball, football, and hockey combined. The 11th annual edition of "U.S. and Canadian Gaming at a Glance" (Gaming & Wagering Business, 1991), reports that bingo is legal and operative in 47 states, Washington, D.C. and Puerto Rico. Charitable gaming tickets, also known as pull-tabs, jar tickets, or pickles, are legal and operative in 34 states, Washington, D.C. and the Virgin Islands.

Today, bingo in Colorado is a multimillion-dollar business that has expanded from church basements into large commercial establishments. Halls may accommodate from 150 to 300 people. Over 300 games of bingo are being played in the Denver metropolitan area each week. A bingo player has a **1 in 212,085** chance of covering all 24 numbers on his/her card in 50 or fewer drawn numbers, (Scarne, John - Scarne's New Complete Guide to Gambling). The total prize awards for each game remain constant whether 200 or 400 bingo cards are sold.

It is quite common to find pull tabs and raffle tickets sold during an evening of bingo. Pull tabs are made completely of paper or paper products with concealed numbers or symbols that must be exposed by the player to determine wins or losses. They are played like instant-game lottery tickets and often are offered in bingo halls. Pull tabs usually sell for 25¢ to \$1.00. Although there is no legal limit on the size of pull tab prizes, the largest range from several hundred dollars to \$2,000. As an illustration, the chances of winning \$200 with a \$1 pull tab with a top pay of four \$200 tickets when there are 3,168 tickets in the draw are 1 in 792. The minimum payout on the ticket is \$2 and there are 400 of these winners, giving a 1 in 7.92 chance of doubling one's money on any ticket. **The odds of winning on a pull tab ticket vary** according to the price of the ticket, number of winning tickets, and total number of tickets in the draw. Generally, pull tabs pay out between 70% - 80% to the players.

The profile of nonprofit organizations sponsoring bingo varies greatly. Organizations might be identified as religious, fraternal, youth-oriented, seniors, or political. The chart on the following page illustrates the different types of organizations and their percentages of the total bingo/raffle licenses.

Indications are that the Denver metropolitan area has reached a saturation point and that competition for the bingo, raffle, pull tab dollar is increasing.

NUMBERS OF BINGO/RAFFLE LICENSES AND ORGANIZATIONS BY TYPE

1992

(Numbers based on 1,407 licensees as of 6/25/92)

TYPE OF ORGANIZATION	NUMBER OF BINGO/RAFFLE LICENSEES
----------------------	----------------------------------

Religious	157
Fraternal	367
Charitable	239
Educational	402
Labor	10
Voluntary Firemen's	38
Veteran's	194
TOTAL	1407

Source: Office of the Secretary of State

III. BACKGROUND III. BACKGROUND

Charitable gambling was authorized in Colorado in 1958, with the adoption of a constitutional amendment by voters to provide charitable, nonprofit and veteran's organizations with a means of raising money to support the charitable, educational, scientific, religious, civic, and patriotic projects of these groups. The voters approved the constitutional amendment by a narrow margin of 244,929 to 235,482. Charitable gaming or authorized "games of chance" include bingo, raffles and pull tabs.

With the passage of the constitutional amendment, the state became directly involved in licensing and overseeing gambling operations. The Constitution required that the Office of the Secretary of State (Office) ensure the entire net proceeds of licensed games be exclusively devoted to lawful purposes of the organization. The Office was given the authority to issue bingo licenses for a \$50 annual license fee to be paid by any organization desiring to conduct games of chance. An organization applying for a license in Colorado was required to provide evidence that it had been in existence for five years and that it was a religious, charitable, benevolent, veterans, or fraternal organization operating as a non-profit institution under the laws of Colorado. Proceeds of the bingo games were taxed by the state and limits were placed on the value of prizes offered and the number of games to be conducted by any one bingo/raffle licensee.

Originally the state share of bingo proceeds was 2.5% of the net proceeds of any bingo or raffle operation. There was a \$250 prize limit on any one bingo game and a \$1500 limit on prize value for one day's operation. The law provided for a limit on raffles of \$15,000 a year, but there was no annual maximum set for bingo. In 1959, the first year of operation, state revenues from bingo and raffles were \$12,236.

Only 439 bingo licenses were issued in 1960, a shortfall of the 1,500-1,800 licenses predicted by advocates of legalization. The number of bingo licenses, however, continued to increase and by 1977, there were more than 900 active licenses and reported net proceeds amounted to approximately \$5 million a year. With the number of bingo/raffle licenses rapidly increasing, the Secretary of State's Office received numerous complaints on abuses that included:

- * Callers not calling the number on the ball selected by the bingo machine;
- * Collusion between bingo callers and persons on the floor;
- * Paying less than advertised prizes;
- * Having no independent verification that the person shouting "bingo" in fact had successfully completed a valid bingo.

The growth of gambling activities and stories of impropriety prompted concerns about the industry. In an effort to address the skimming of bingo receipts and the problems mentioned above, rules and regulations were adopted by the Secretary of State to standardize bingo operations throughout the state. Previously, Colorado did not have official regulations for bingo games. The 1959 amendment failed to spell out details of administering the law and failed to make any provision for license revocation.

The proposed 1977 rules and regulations imposed strict guidelines for reporting revenues and conducting games. Several nonprofit organization representatives, however, argued that the regulations would require too much paperwork from operators of bingo games. The Office of the Secretary of State contended that the regulations would benefit game operators by removing almost all of the opportunities for fraud or mistakes in the conduct of the games.

The regulations adopted in 1977 included the following provisions:

- * Requiring the caller to turn each ball, randomly picked by the number-selecting machine, toward the players so they could see both the letter and number;
- * Providing for randomly chosen bingo participants to verify the winning of each game;
- * Requiring disclosure of all prices and prizes;
- * Positioning the caller to prevent caller from seeing players' cards;
- * Elaborate accounting procedures to minimize the possibility of skimming.

Recent Legislation Affecting Colorado Charitable Gaming

In 1983, there was a scandal surrounding alleged profit skimming with police bingo operations. Top police officials were accused of sitting in on a meeting in which a Denver police officer told them how to skim profits from bingo games run by the Denver Junior Police Band. Although criminal charges were never filed, the Denver Police Chief was suspended and subsequently retired, the Denver Manager of Public Safety was suspended and later replaced, and a Denver Police Division Chief retired before the investigation was finished.

Interest in bingo game regulation was rekindled by a 1989 investigation of three Denver police fraternal organizations. In October 1989, the Secretary of State's Office filed complaints against three police groups alleging that they had breached dozens of bingo laws including keeping incomplete records and awarding prizes illegally. Among the most serious allegations were that the groups failed to account for \$425,000 in gross sales and \$71,000 in profits that they should have generated based on the number of pull tab games purchased. In addition,

pull tab tickets valued at \$700,000 that would have generated \$300,000 in sales were found missing. Investigations were focused on whether operators of the police bingo games were skimming profits to pay "volunteers" for a night's work in the bingo hall. Under the Colorado Constitution and state law, only security personnel, accountants, and janitorial staff may be compensated to work bingo games.

The police unions admitted that they broke more than 20 state laws while running their bingo games. The Denver Police Department and the District Attorney's Office conducted a joint criminal investigation into the police union's alleged bingo operations. The alleged unlawful acts of the Denver Police Department with regard to bingo and pull tabs were influential factors in the introduction of House Bill 1299 in 1990.

Subsequently, the unions reached a settlement with the Secretary of State's Office and agreed to halt bingo operations for six months. Ultimately the police groups disbanded, sold their bingo hall, and surrendered their bingo/raffle license. The police scandal demonstrated the need for stricter regulation of charity bingo games and pull tabs.

The 1990 Legislature passed House Bill 1299, making numerous changes to the regulation of charitable gaming, including:

- * Requiring the total count of bingo players per session, number of bingo cards and pull tabs sold, and cash value of prizes awarded.
- * Giving the Secretary of State the authority to assess civil penalties in the form of fines against any landlord licensee;
- * Requiring certification training for games managers;
- * Implementing licensing requirements for bingo hall landlords, manufacturers, suppliers, and manufacturer's and supplier's agents;
- * Revising the bingo caller membership requirement from one year to three months.
- * Requiring suppliers to number and record all bingo cards and pull tabs sold to Colorado operators.

House Bill 92-1368 House Bill 92-1368

The Colorado General Assembly passed legislation in the 1992 Session that made a significant change to the Bingo/Raffles law. The new legislation states that free product giveaways for purposes of advertisement, creation of goodwill, or promotion of new products should not be subject to regulation under the current Bingo and Raffles Law, if such giveaways are incidental to events conducted by nonprofit organizations to further educational purposes. Such giveaways are exempt if they fulfill **all** of the following requirements:

- * tickets or chances are given away free without cost of obligation to the recipient
- * if conditions for general admission of an event with no fewer than ten separate activities require an additional fee or charge for prizes by chance
- * the owner or lessee of the premises does not participate directly or indirectly in the allotment of prizes by chance
- * the owner or lessee of the premises is a Colorado nonprofit organization whose primary purpose is education, with an emphasis on children and young adults and have been in existence for at least twenty-one years

The impetus for House Bill 92-1368 was the incident that occurred at the 1992 National Western Stock Show. Investigators from the Office of the Secretary of State issued cease and desist orders to several exhibitors who were holding product giveaways. The statutory violation was twofold: (1) C.R.S. 12-9-102 (7) defines raffles as "that specific game of chance commonly known as raffles which is conducted by drawing for prizes or the allotment of prizes by chance, by the selling of shares or tickets or **rights** to participate in such a game". The law states that if in order to participate in a drawing you must first have purchased a ticket to an event, then the drawing is a raffle and subject to all laws theretofore. (2) Because the exhibitors were holding a raffle by definition, they were, in fact, in violation of the Colorado Constitution Article XVIII, Section 2 (2) that requires all organizations conducting games of chance to have a license.

House Bill 92-1368 addressed the National Western Stock Show problem precisely, but did not look at the broader scope of the law. The specific requirement that nonprofit organizations be in existence for at least twenty-one years is very restrictive and limits the number of organizations eligible for free product giveaways. In the recommendations section of this report (see page 31), there is a discussion of the issue of the "free product giveaways" and the recommendation for clarification of the definition of "raffles".

IV. CURRENT REGULATORY SYSTEM IV. CURRENT REGULATORY SYSTEM

LicensingLicensing

The Office of the Secretary of State is designated as the licensing authority of the Bingo and Raffles Law pursuant to Section 12-9-101 et. seq. C.R.S. The powers and duties of the Secretary of State include granting or refusing licenses; suspending or revoking licenses for any violation of the law, rules and regulations; the authority to promulgate rules and regulations, enforcing the reporting requirements of appropriate laws; supervising the administration of charitable gaming; hearing and determining the validity of all complaints at public hearings; and keeping records of all transactions and actions of the licensing authority.

The Bingo/Raffle licensing and enforcement system in Colorado is cash funded with the following designated positions:

- 1.0 Administrative Officer
- 6.0 Investigators
- 1.0 Internal Auditor
- 2.0 Administrative Auditing Clerks
- .5 Clerk

Colorado Revised Statutes, Section 12-9-104 provides that, upon application for a bingo/raffle license from the Office of the Secretary of State, and payment of a \$62.50 fee, any bona fide chartered branch of a national or state organization, or charitable, labor, religious, educational, fraternal, voluntary firemen's or veteran's organization may be licensed to conduct "games of chance" providing:

- * it has been in existence for five years;
- * it operates without profit to its members; and
- * it has had, during the entire five-year period, a dues-paying membership engaged in carrying out the objectives of the organization.

The following chart details the increase in bingo/raffle licenses since 1977. The decrease from 1990 to 1991 is attributed to the 1991 statutory revision that requires that each designated games manager must be certified by the licensing authority before assuming games management duties. Even though certification programs were often held in several locations throughout the state, it was difficult for some games managers to attend a program because of schedule conflicts. Therefore, some licensees were not able to renew their licenses due to the lack of a certified games manager.

The certification of games managers significantly contributes to a stronger regulatory program. The certification training, which is held in various locations throughout the state, is generally a four to six hour session taught by the enforcement investigators from the Secretary of State's Office. During a typical class, investigators discuss the laws and rules of conduct for charitable gaming and record-keeping. At the conclusion of the information session, an open-book multiple choice examination is given to each participant. Successful passage of the examination entitles the games manager to a certificate.

BINGO/RAFFLE LICENSES CALENDAR YEAR 1977 - 1991	
Calendar Year	# of Licenses
1977	900
1978	932
1979	979
1980	1046
1981	1047
1982	1180
1983	1276
1984	1332
1985	1432
1986	1501
1987	1549
1988	1549
1989	1600
1990	1616
1991	1576
Source: Office of the Colorado Secretary of State	

Colorado statute also requires the Secretary of State to license bingo/pull tab manufacturers, suppliers and their agents who sell or do business in Colorado. A fee of \$500 is required for a manufacturer or supplier license and an additional \$100 for every respective agent.

Bingo hall landlords must also be licensed by the state and pay an annual licensing fee of \$500. No person except a landlord licensee may legally rent any premises to a bingo/raffle licensee for the conduct of charitable gaming and no bingo/raffle licensee may lease a facility except from a licensed landlord. A rental agreement between the bingo/raffle licensee and the landlord licensee is required by the Office of the Secretary of State. Occasions are authorized for a six-hour period. If bingo/raffle licensees own the facility where they want to hold bingo games, like a church or private school, they may conduct bingo in their own facility and are not required to obtain a landlord license.

Since the 1991 statutory change requiring the licensure of landlords, manufacturers, suppliers and their agents, 68 landlords, 16 manufacturers, and 64 suppliers have been licensed.

Accounting Requirements Accounting Requirements

Bingo-raffle licensees must file quarterly reports with the Office of the Secretary of State indicating the amount of gross receipts derived during the quarter, the expenses incurred or paid, and a brief description of the classification of such expenses. Manufacturers and supplier licensees must also file quarterly reports of their activities within Colorado and pay a quarterly fee established by the Office of the Secretary of State which, in January 1991, was determined to be 1% of their gross profits.

The requirement for filing quarterly financial reports is an aggressive regulatory approach. Licensees under the Colorado Limited Gaming Control Commission must submit a financial statement covering all financial activities of the licensee's establishment for each fiscal year. Licensee's quarterly reports are monitored by the Office of the Secretary of State for inconsistencies, irregularities, and for misinterpretation of the law. Often, the non-profit organization is not conversant enough with the law and might unknowingly make mistakes. The quarterly reporting requirement allows the Secretary of State's Office to identify these errors and inform the licensees so they may correct their procedures immediately. Another benefit of quarterly reporting is that it alerts the Office of the Secretary of State to theft.

State statutes allow only the following expenses, in addition to prizes and taxes, to be paid from charitable gambling revenues:

- * gambling supplies and equipment
- * maintenance of gambling equipment
- * accounting services
- * rent
- * janitorial services
- * license fees

A majority of allowable expenses may only be incurred against bingo net proceeds and not incurred against pull tab proceeds.

The reporting requirements for bingo, pull tab, and raffle activities are very extensive. The bingo expense and income summary statement requires financial data regarding total cash payouts, actual cost of merchandise payouts, rent for the bingo hall, security costs, supplies and other deductible costs, bookkeeping fees, and janitorial fees. The pull tab expense and income summary statement requires totals for gross receipts, cash payouts, cost of merchandise and miscellaneous pull tab expenses. Raffle expense and income reporting requirements address gross receipts, total cost of prizes and expenses.

However, there is no summary data compiled to reflect the distribution of total charitable gaming dollars except for the amount that the nonprofit organizations receive from the gross proceeds. Of the \$220 million wagered in charitable gaming in Colorado in 1991, fifteen percent was returned to the nonprofit organizations. The Office of the Secretary of State receives another three percent of the net proceeds as an administrative fee. The remaining dollars, about 82% of the total, are divided between the charitable gaming public, landlords, and manufacturers and suppliers. It is estimated that approximately 70% of this amount is actually returned to the gaming public. The remaining monies are distributed amongst the bingo suppliers, manufacturers, and landlords.

It is the responsibility of a regulatory system to track where the public dollars are going. The Office of the Secretary of State has the data needed to compile annual statistics that would indicate the distribution of charitable gaming funds, however the system has not reported any annualized numbers yet. For the purpose of this Sunset Review, the income distribution from a non-random sampling of twelve bingo/raffle licensees was analyzed by the Office of the Secretary of State. (Please see Appendix I.)

Conduct of Charitable Gaming Conduct of Charitable Gaming

Colorado state law and rules for charitable gaming contain specific requirements concerning how these games are conducted. Bingo-raffle licensees must designate a games manager to be responsible for the conduct of bingo and to supervise all activities on the occasion for which they are in charge. In addition, no person shall assist in the operation of bingo games unless they are bona fide, active members of the bingo-raffle licensee. Persons who assist in the operation of bingo, i.e. callers, cashiers, and floor workers, may not receive any remuneration or profit for participating in the management or operation of any such game.

The law requires that each organization prominently post the rules of each type of gaming it conducts. The law also prohibits anyone under 18 years from purchasing the opportunity to participate in any games of chance.

Net profits derived from the holding of games of chance must be devoted, within one year, to the lawful purposes of the organization. Some of the key requirements are contained in the chart on the following page.

RULES OF CONDUCT

PULL TABS

- * **No volunteer who works or assists at any occasion may purchase or play any pull tab.**
- * **All winning pull tabs must be punched at the time of redemption.**
- * **All winning pull tabs of \$20.00 or more must be kept by the licensee for two months following the quarter in which the prizes were reported to the Secretary of State.**

RAFFLES

- * **All raffle tickets must have the state licensee number, name of licensee, date, time and place of drawing printed on each ticket.**
 - * **The sale of a raffle ticket may not be conditioned upon the purchase of the right to play bingo or payment of admission to a bingo occasion.**
 - * **No more than one raffle shall be held during any single bingo occasion.**
 - * **If a ticket holder must be present at the drawing, a statement must be printed on each raffle ticket.**
-
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BINGO

***All equipment used must be owned by a bingo-raffle licensee or any landlord licensee.**

***No one participating in the conduct of bingo may play.**

***Drawn numbers must be immediately announced and displayed.**

***Disposable cards must be individually numbered.**

***Aggregate value of all prizes or merchandise awarded in any single occasion cannot exceed \$1,500.00.**

***Maximum prize cannot exceed \$250.00 for a single game of bingo.**

***Number of bingo games held each year may not exceed 105.**

***Net profits must be reported during any one year period or licensee will have to show cause why the license should not be revoked.**

***All card or sheet sales must be made at the bingo location.**

Complaints and Disciplinary Actions Complaints and Disciplinary Actions

Disciplinary Actions

The Secretary of State is authorized by statute to suspend or revoke any license issued for cause. The Office of the Secretary of State may also stop the operation of a game pending a hearing. The Office may assess penalties in the form of fines against landlord licensees only. There is currently no provision in the law to assess fines against any other type of licensee (i.e. bingo/raffle, manufacturer, supplier). Legislation was introduced in 1992 to grant power to the Secretary of State to assess civil penalties in the form of fines against all licensees or their agents who violate the Bingo and Raffles Law. Opposition to this bill was demonstrated by the testimony of several bingo/raffle licensees. They testified about their concern that the Office of the Secretary of State would abuse a fining authority against bingo/raffle licenses. This bill did not survive the Senate Appropriations Committee.

Most disciplinary actions taken against licensees result from violations noted during an

investigator's inspection, severe violations of the reporting requirements, or abuse of the provision in the Colorado Constitution prohibiting any type of remuneration or profit for those persons participating in the management or operation of charitable gaming.

The Licensing Section of the Office of the Secretary of State does not maintain any separate disciplinary files. In order to obtain yearly data regarding disciplinary actions, one would have to review licensee files. For that reason, it was not possible to obtain exact annual figures. Most often when disciplinary actions are taken, the disposition is either filed in an investigator's file or in the licensee's file. Periodically all accumulated documents in a licensee's file, whether it be license renewal information, complaints, or disciplinary actions is microfiched. The hard copy of the data microfiched is eventually discarded.

The Licensing Section was not able to provide annual summaries of disciplinary actions taken by the Office of the Secretary of State, except statistics for the fourth quarter of 1991. This information was available because the Office had agreed to a moratorium on disciplinary actions for the first three quarters of 1991 so licensees could become familiar with the new provisions in the law. Therefore, they had data that revealed twenty-two summary license suspensions were issued during the fourth quarter of 1991, pursuant to C.R.S. 12-9-108, for failures and shortcomings in bingo/raffle reporting. They furnished estimates that during the 1980's, six to ten hearings were held annually. They reported, however, that there is no real average. Consequently, there have been years with over twenty hearings and years with none.

Hearings involving bingo-raffle licenses have to date resulted in actions against the licensee ranging from two weeks suspension to revocation/ineligibility to reapply for one year, which is the maximum penalty permitted by C.R.S. 12-9-103(3). In addition, the Office reports that no hearing since 1979 had been overturned on court appeal for failure of the state's case. One appeal was rendered moot at the appellate court stage by a statutory change.

The licensing and enforcement investigators from the Office of the Secretary of State when interviewed recounted the number of licensees who surrendered their licenses. During the period 1989-1991, 125 bingo/raffle licensees surrendered their licenses upon notification from the Office that a violation had occurred. Commonly, bingo/raffle licensees surrender their licenses rather than proceed with a hearing. This decision could be for one of several reasons: 1) licensees have indicated that license suspension is a foregone conclusion because the hearing process is administered by the Office of the Secretary of State, 2) licensees do not consider a hearing worthy of their time, 3) licensees recognize they have violated the law and prefer a few months suspension to major revocation, or 4) licensees do not have the monetary resources to hire an attorney which they believe is necessary in order to have a hearing.

ComplaintsComplaints

The Office of the Secretary of State investigates complaints by the bingo playing public. It was impossible to determine the number and types of complaints received by the Secretary of State without reviewing all the complaint files. Each complaint is placed in a separate file when received. The system for filing complaints is that the most current files received are placed in the front of the drawer. However, complaint files were reviewed for this report and they were not found filed in chronological or alphabetical order.

Complaint files dated between 1989 and April 1992 were reviewed and complaints were found to be handled inconsistently. For example, sometimes the Office of the Secretary of State contacts licensees and asks for a response to the complaint made against them. The Office then notifies the complainant of this response and considers the case closed. In other cases, files would only contain the complaint and there would be no evidence of any action taken. The Licensing and Enforcement Section does have written policies and procedures for oral and written complaints received. However, there does not seem to be any consistency in complaint handling to ensure that complaints are handled in a timely manner.

The chart on the following page contains an analysis of the complaints received from bingo players by the Secretary of State's Office.

Analysis of Complaints January 1989 through March, 1992

Nature of Complaint	Number Filed
Improper bingo calling procedures	27
Pull tab misconduct	15
Collusion between bingo/pull tab workers and acquaintances or relatives	7
Volunteers playing games	2
Misrepresentation of prizes	1
Theft	1
False advertising	3
Improper participation of minors	2
Improper spending of bingo proceeds	1
Sale of invalid bingo sheets or pull tabs	2
TOTAL	61

Disposition/Status	Number Filed
Refer to Hearing	1
Letter of Admonition Issued	7
Dismissed	21
File incomplete/No resolution	32
TOTAL	61

Almost one-half of the complaints filed can be attributed to improper bingo calling procedures. Improper bingo calling procedures are often caused by a novice caller unfamiliar with the rules and regulations for calling. In addition, bingo players were unclear as to the requirement for a valid bingo. Rule 15(e) states that the last number called is not a requirement for a good bingo, unless there is a visibly posted house rule to the contrary. This rule, on occasion, has contributed to the confusion some players have, especially if they play at different halls and some post their own valid bingo rules while others follow the valid bingo requirement stated in Rule 15(e).

Pull tab misconduct contributed to one-fourth of the complaints. Misconduct would include preferential treatment to some customers, invalid pull tab tickets, and dead buckets (those buckets having no winning tickets left).

Of the 61 files reviewed, over half contained no record of any type of resolution or even a response to the complaint. The majority of the complaints that, in fact, were resolved were dismissed because of an inadvertent error on the part of the bingo/raffle licensee.

The level of regulation as demonstrated by the complaint analysis will be further discussed in the recommendation section.

Current Law Regarding Compensation For Volunteer Operators Of Bingo

A major issue in respect to the current law is the matter of compensation or remuneration for persons participating in the management or operation of charitable gaming.

During the past several years there has been much discussion regarding compensation for bingo workers in Colorado, thus it seemed essential to include a discussion of this topic for this Sunset Review. The Colorado Constitution and C.R.S. 12-9-105(g) since 1958 have specifically prohibited any commission, salary, compensation, reward or recompense to be paid to any person for holding, operating, assisting or conducting games of chance. Although compensation is prohibited, it occurs illegally in Colorado through educational tuition assistance programs, meals, trips, discounts on bingo cards, etc. The Office of the Secretary of State actively enforces the compensation law by notifying violators of wrongdoing and holding hearings when necessary.

To review the issue of compensating bingo workers, Colorado bingo/raffle games managers were surveyed and other states were contacted regarding their policies and procedures. Proponents of compensation contend that it is difficult to get uncompensated "volunteers" to take an active and serious interest in the proper regulation of bingo; therefore, the organization risks having to cancel games and sacrifice revenues for lack of bingo workers. They contend that, the time element involved with working at a bingo game, as compared to other types of volunteer work, coupled with lack of compensation, is detrimental to maintaining a constant, well-trained staff of bingo workers. In addition, advocates of compensation state that allowing the compensation of bingo workers would result in workers who were educated as to the bingo laws, thus increasing overall voluntary compliance. Proponents also maintain that the constitutional ban against compensating bingo volunteers may be encouraging operators to pay them "under the table."

Opponents claim that paying bingo workers cuts into bingo and pull-tab proceeds, thereby decreasing funds available to nonprofit organizations. Opponents also contend that paying bingo workers tends toward increased commercialization of bingo and reduces the organization's involvement in running their games.

The out-of-state survey (see Appendix G) included questions regarding:

- * length of time compensating bingo operators had been legal
- * reasons for revising law to allow compensation if previously illegal
- * evidence of an increase in persons willing to operate bingo games when compensation is allowed
- * fee paid to bingo workers
- * benefits of compensation

Alaska, Arizona, Minnesota, Nebraska, North Dakota, Oregon, Texas, and Washington

responded to DORA's questionnaire regarding the legislative intent for compensating bingo workers. Of these eight states surveyed, four states have always allowed "reasonable compensation" and the other four states legalized compensation in the late 1980's.

A recurring response from the states was that the primary reason for allowing compensation was because the practice existed even though it was illegal. In Oregon, the change in the law was largely a political compromise. Some legislators wanted more extensive state regulation of bingo, while several prominent charities wanted to pay workers in order to expand hours of operation. Therefore, the charities agreed to increase regulation in return for authority to compensate workers. Minnesota reported that when they legalized compensation an insidious group of "bingo consultants" appeared and proceeded to take advantage of many of the bingo licensees. Several states found that when they legalized compensation, tight legislative limitations were necessary in order to prevent abuse. In general, consensus from the states that changed their bingo laws was that there was little evidence of an increase in persons willing to operate bingo games even though compensation was now legal. In addition, the extra oversight and regulation necessary to enforce compensation laws was extremely burdensome.

The response from the survey sent to bingo games managers did not indicate an overwhelming desire for legalized compensation. Of the 33 responses from groups sponsoring bingo games 54% reported having problems finding volunteers to assist at bingo games, while 45% reported having adequate volunteers. The comments received from those organizations regarding the effect that compensating bingo workers might have on the organization (positive or negative) are listed below:

- * Could possibly cut earnings for the organization
- * Temptation of theft would cease
- * Strongly oppose
- * Would like to hold a dinner as a thank-you
- * Thinks it would cause much trouble in the church
- * Might encourage more people to volunteer

After having gathered information and reviewed the issue of compensation in Colorado and other states, this Sunset Review concludes that the current law is adequate as it stands and there is no recommendation for change at this time.

V. SUMMARY OF THE REGULATORY ENVIRONMENT AND THE EXPERIENCE OF SELECTED STATES

The licensing and regulation of bingo operations in other states is conducted by a variety of state agencies. The Department of Revenue is delegated this authority by the greatest number of states, followed by the Secretary of State, and the Attorney General's Office. Other states have placed the authority within a variety of state agencies. For example, Delaware, Nevada, and New Jersey regulate bingo and pull tabs through their gaming control boards. Other state agencies regulating bingo and games of chance include the Lottery Commission, Liquor Control Commission, Department of Public Safety, and Bureau of Investigations. In addition, a few states have left the responsibility of licensing and regulating bingo operations to the local governments. Local involvement ranges from local approval of bingo itself, to local approval of a specific licensee, to local enforcement and licensing efforts.

Almost all states that allow bingo have a licensing process in which an organization's tax-exempt status is verified before games can be held. Rules adopted in many states include:

- * Bingo operators must be volunteers.
- * Bingo operators must be members of the sponsoring organization.
- * Bingo operators cannot have felony convictions or previous gambling offenses on their records.
- * Sponsoring organizations must have a certain number of members.
- * Sponsoring organizations must have been in existence for a specified period of time.
- * Individual prizes must be limited to a certain dollar amount.
- * The total number of prizes for any one bingo session is limited.

Several states require their bingo licensees to complete financial reports for each bingo occasion. These "occasion" reports include the gross receipts, number of players present, quantity and price of cards sold, prizes paid, bingo related expenses, and net proceeds.

A survey conducted by the National Association of Fundraising Ticket Manufacturers in 1989, revealed that charity bingo games brought in well over \$2 billion annually in total ticket sales. At that time, legislatures in at least 32 states considered changes in the rules governing charitable gaming. Some states concerned about abuses, considered putting new restrictions on the games, while others considered easing regulations to help charities raise more money.

VI. STATUTORY RECOMMENDATIONS

SHOULD COLORADO CONTINUE TO REGULATE CHARITABLE GAMING?

RECOMMENDATION 1:

THE GENERAL ASSEMBLY SHOULD CONTINUE THE REGULATION OF THE BINGO/RAFFLE LAW BY ARTICLE IX OF TITLE 12.

The guiding question of this Sunset Review is found in the Sunset Criteria:

Is regulation by the agency necessary to protect the public health, safety and welfare?

This Sunset Review concludes that such regulation is necessary. Although a significant question that must be answered is whether or not the conditions that existed and led to the initial regulation have changed. If these conditions have changed, is more, less, the same degree of, or a cessation of regulation warranted? In the case of bingo, raffles, and pull tabs, the charitable gaming industry has changed considerably since the 1958 constitutional amendment. Furthermore, these changes support the need for continued regulation.

When the State of Colorado legalized bingo in 1958, it did so by placing narrow restrictions around the game. Licenses were restricted to only certain classes of organizations. Total prizes were limited to \$1,500 per occasion. Other limitations and mandates dealt with frequency of play, use of proceeds, payment of taxes and fees, and revocation of licenses. The primary beneficiaries were to be the players and charitable organizations who would use the resulting profits in a prescribed way.

Since its legalization in 1958, the operation of bingo has grown significantly. In 1959, the first year of operation, state revenues from bingo and raffles were \$12,236. State revenues continued to increase and by 1980 they totalled \$280,000. During the next twelve years, revenue from charitable gaming has more than tripled generating one million dollars in state revenue today.

Total gross proceeds from the bingo/raffle/pull tab industry in Colorado have increased from \$41 million in 1980 to over \$220 million in 1991. Participation in licensed charitable gaming has steadily increased over the past several years. Pull tab sales showing the largest growth increased by 421% from 37.2 million in 1984 to \$156 million in 1991.

Currently, the citizens of Colorado are wagering more than \$200 million a year in charity-run bingo, pull tabs, and raffle games. However, charitable causes are receiving a steadily declining percentage of money raised by the games. (see Appendix C) In the past decade, the percentage of revenue going to charitable causes decreased from 26% in 1980 to 15% in 1990. At the same time, Colorado's bingo, raffle and pull tab industry has grown fivefold.

Opinions vary regarding the steady decline in proceeds dedicated to charitable uses. Some bingo/raffle licensees attribute this decline to increased competition created by increased licensees resulting in fewer players per game and increased expenses for rent and equipment. Some state regulators believe that organizational volunteers continue to skim profits.

Because of the inherent potential for corruption in charitable gaming, the State of Colorado has instituted a number of controls over charitable gaming in both statute and rule in order to ensure the integrity of control over the manufacturers of gambling equipment, the distribution channel, and the organizations conducting charitable gaming operations. Organizations are required to post their license and display the odds of winning. Licensees must maintain accounting records sufficient to substantiate the quarterly reports required by the Office of the Secretary of State.

The passage of House Bill 90-1299 increased the regulatory authority of the Office of the Secretary of State. It enabled them to track the flow of business between bingo/raffle licensees and manufacturer and supplier licensees. Consequently, the Office devised a set of audit programs utilizing spreadsheet software to verify compliance with the bingo/raffle statutes and regulations. The audit analysis program provides information that was not previously available without labor intensive bookkeeping by investigators. These include:

- * comparing the actual distribution of bingo/raffle proceeds with the statutory requirement to distribute all proceeds within one year.
- * comparing the licensee quarterly reports with the audited revenues, expenses, payouts, and profits on both accrual and cash basis.
- * comparing the total revenue payouts and profits for each pull tab with manufacturer data.

The audit program has also been successful in locating several unlicensed gaming operations, licensees who have sold and removed defective pull tabs from play without reporting them, and licensees who sell pull tab games that are not legal in the State of Colorado.

Lawful gambling is vulnerable to fraud and abuse because large amounts of cash are involved and because without careful controls there are a variety of ways to misappropriate funds. A licensing scheme provides the state with a method of identifying charitable gaming activities in the state and thereby uniformly regulating the activities.

WHILE CONTINUED REGULATION IS IMPORTANT, THE REGULATION OF BINGO/RAFFLE NEED NO LONGER BE SET IN THE COLORADO CONSTITUTION.

RECOMMENDATION 2:

THE GENERAL ASSEMBLY SHOULD INTRODUCE A CONCURRENT RESOLUTION DURING THE 1993 LEGISLATIVE SESSION TO REPEAL AND REENACT SECTION 2 OF ARTICLE XVIII OF THE COLORADO CONSTITUTION.

The Constitution should read as follows: "(1) The general assembly shall have no power to authorize lotteries for any purpose; except that the conduct of such games of chance as provided in Title 12, Article 9, C.R.S. (Bingo and Raffles) shall be lawful on or after January 1, 1959, and the conduct of state supervised lotteries pursuant to subsection (7) of this section shall be lawful on and after January 1, 1981.

(2) Repeal

(3) Repeal

(4) Repeal

(5) Repeal

(6) The enforcement of this section shall be under such official or department of government of the state of Colorado as the general assembly shall provide.

(7) Any provision of this constitution to the contrary notwithstanding, the general assembly may establish a state-supervised lottery. Unless otherwise provided by statute, all proceeds from the lottery, after deduction of prizes and expenses, shall be allocated to the conservation trust fund of the state for distribution to municipalities and counties for park, recreation, and open space purposes."

It is important to preserve the authority in the Colorado Constitution for charitable organizations to operate games of chance and to preserve the authority of the legislature to designate the department of Colorado state government that will enforce the law. Recommendation 2 advises the removal from the Constitution of the specifics of how bingo and raffles should be regulated, which are contained in Subsections 2 through 5 of Article XVIII. These matters are already fully covered in Title 12, Article 9, the Bingo and Raffles Law. The specifics of this regulation should be left to the oversight of the General Assembly through the regular legislative process.

The following discussion summarizes the history of bingo and raffle legislation and other gaming in the State of Colorado. The first attempt to legalize charitable gaming was a legislative proposal introduced during the 1958 legislative session. With the defeat of this proposal, supporters of the measure used the power of initiative, as provided in the State Constitution. The supporters secured the requisite number of voter signatures on petitions requesting that the proposed amendment be submitted to a vote of the people in the November, 1958 General Election.

Popular arguments for the legalization of bingo in 1958 included:

- * Bingo cannot be characterized as gaming; many religious organizations approve it. If properly regulated and supervised, the game will not cause heavy financial losses.
- * Experience of states legalizing Bingo shows that proper regulation and supervision will keep the game out of the hands of the professional promoters and racketeers.
- * The state allows pari-mutuel betting on dog and horse racing, a form of gambling which results in far greater losses than bingo.

Popular arguments against the legalization of bingo included:

- * Gambling is a moral and social evil that undermines our economic order, favors the philosophy of getting something for nothing, encourages habits of idleness and indolence, and leads to social demoralization.
- * Once the door is opened to legalized bingo, it is likely that gambling legislation of a more serious nature will receive support.
- * Like other forms of gambling, bingo corrupts police officers and courts; when law enforcement officers are influenced to ignore anti-gambling laws, they become cynical about all law enforcement.

As mentioned previously, the voters approved the constitutional amendment by a narrow margin of 9,000 votes. The same constitutional amendment prohibited the General Assembly from authorizing lotteries for any purpose. The people voted for legalization of bingo, but the general climate in Colorado was still apprehensive concerning the ramifications of its legalization. The electorate continued to oppose other types of gambling. In 1972, a private lottery was purposed by an initiated constitutional amendment. The voters overwhelmingly defeated this proposal. The 1979 Colorado General Assembly submitted a constitutional amendment to the voters authorizing a state-supervised lottery. In 1980, the voters authorized a state run lottery with 660,213 people voting in favor and 443,289 voting in opposition. At this

time the legislature formed an interim committee to further study how the state lottery should operate. Not until 1982 did the legislature finally adopt legislation implementing the state lottery and the first tickets were sold in January, 1983. First year projected sales were \$60 million. However, by June 30 of the first year, the sales had already reached \$137 million. These figures indicate that the public was quite enamored by the lottery. Evidence of the change in the electorate's feelings and increasing support for gambling was further illustrated by the legalization of limited stakes gambling in 1990. The voters approved the amendment proposal 574,620 to 428,096.

It is estimated that in 1992 legal Colorado gambling will generate more than \$800 million in wagers. This is a far cry from 1958 when the citizens of Colorado attempted to restrict legalized gambling. All other types of gambling in Colorado are regulated by statutory law. The reason for this is clear. The regulation of industries and occupations are in a constant state of change. The process of revising the law contained in the statute is much easier than initiating a constitutional amendment. This Sunset Review recommends significant statutory changes to the Bingo/Raffles Law that cannot be fully realized unless bingo and raffles are removed from the Constitution.

SHOULD THE REGULATION OF THE BINGO/RAFFLES LAW BE TRANSFERRED TO THE DEPARTMENT OF REVENUE?

RECOMMENDATION 3:

DEVELOP A TASK FORCE TO STUDY AND MAKE RECOMMENDATIONS TO THE 1993 SUNRISE/SUNSET COMMITTEE REGARDING THE APPROPRIATE DEPARTMENT TO ENFORCE THE REGULATION OF THE BINGO AND RAFFLES LAW.

During this sunset review, the issue arose whether the Department of State was the agency that could most effectively and efficiently administer the Bingo/Raffles Law. With the lottery, limited gaming, and the advent of racing under the Department of Revenue, the consolidation of all gambling under one department should be considered.

Historically, the placement of charitable gaming regulation was an issue.

The idea of moving the regulation of bingo and raffles to the Department of Revenue is not a new idea. Historically, there was an issue regarding what agency should regulate bingo and raffles. The constitutional amendment gave the then current Secretary of State the authority to issue bingo licenses to eligible nonprofit organizations. However, the Legislature was given the authority to create a watchdog agency to administer nonprofit bingo and raffles. An interim agency was established in the Office of the Secretary of State to continue regulation.

The citizens group that conducted the 1958 bingo proposal campaign wanted to divorce bingo administration from politics by placing its enforcement with civil servants employed by the Department of Revenue. In turn, the citizens group wanted the Revenue Department to be responsible to a bipartisan board composed of gubernatorial appointees. This effort was not successful in placing the regulatory authority under the Department of Revenue and the Office of the Secretary of State has been the licensing authority since 1958.

Today the citizens of Colorado participate in a variety of gambling activities

The climate for gaming in Colorado has changed dramatically since 1958. The state is now directly involved in gaming since the voters authorized a state-supervised lottery in 1980 and in 1991 the electorate authorized limited gaming in three Colorado towns. The original purpose of the state controlled lottery was to generate revenue to benefit state parks, recreational facilities and public buildings. Both lottery and limited gaming are administered by the Department of Revenue. However, in 1991, the placement of limited gaming was hotly debated in the Colorado House and Senate. A senate bill introduced at that time recommended establishing the new Limited Gaming Commission under the control of the Secretary of State. A house bill placing the Commission in the Department of Revenue was also introduced. Revenue Department investigators, because of their lottery experience, requested control of limited gaming. However, the Colorado Bureau of Investigation also wanted to control background investigations and related law enforcement duties. The dispute was resolved whereby the Colorado Bureau of Investigation would conduct criminal and financial investigations and the Limited Gaming Commission and staff would be administered by the Department of Revenue. The Limited Gaming Control Commission's responsibilities include the administration and regulation of limited gaming and the promulgation of rules and regulations governing the licensing of gaming establishments.

House Bill 1206 moved the regulation of Racing to the Department of Revenue

Legislation introduced during the course of this review to move the Racing Commission and the Division of Racing from the Department of Regulatory Agencies to the Department of Revenue (HB 1206) inhibited a complete study of the most efficient and effective agency to administer the Bingo and Raffles law. The legislation was premised on the belief that consolidation of gambling regulation in one department of state government was needed in Colorado. Legislators did not include the relocation of bingo and raffles in the bill because such a move would require a constitutional amendment. Consolidation of most gambling activities in Colorado was not realized until June, 1992 when HB 1206 became law transferring the regulation of racing from the Department of Regulatory Agencies to the Department of Revenue.

Further study needed

Many questions still need to be answered before a recommendation should be made to transfer the Bingo and Raffles Law to the Department of Revenue. This sunset review recommends continued regulation of charitable gaming, however, many areas in the present system need improvement. These issues are examined fully in the recommendations section of this report. The issue of consolidation of all gaming in Colorado has been explored as far as possible with the information currently available. The Department of Revenue was contacted and expressed neutrality on the issue.

The question of consolidating all gaming within the Department of Revenue is still an open question. Therefore, this review recommends the establishment of a task force. This task force would examine the benefits and/or barriers of transferring Bingo/Raffles Law administration to the Department of Revenue. Task force members might include personnel from the Office of the Secretary of State and the Department of Revenue who have access to the data and are involved in the day to day operation of bingo, raffles, lottery, and limited stakes gaming.

The following factors should be considered by the task force:

- * Does the Revenue Department have superior expertise in regulating gaming industries (i.e. investigations, background checks, complaint handling, record-keeping, and enforcement)?
- * Is there an administrative benefit in having all gambling activities in Colorado under one department? Is there danger of control if all gambling activities are regulated by one agency?
- * Will this consolidation of gaming save the State of Colorado money? How can savings be realized?
- * Should the administration of the Bingo/Raffles Law be divorced from politics as expressed by the citizens in 1958?
- * If the program were to be transferred to a line department of government as opposed to being administered by an elected official, would the accountability of the program increase, decrease, or remain the same?

RECOMMENDATION 4:

ISSUE A RAFFLES ONLY LICENSE

The General Assembly should amend the statute by adding a raffles only license.

This section will discuss the current licensing scheme and demonstrate the need for a raffles only license. However, unless bingo and raffles are removed from the Colorado Constitution, a statutory provision for a raffles only license would be in violation of the state constitution. Currently, the Secretary of State issues a license for a fee of \$62.50 to eligible organizations who sponsor bingo occasions and/or raffles. A bingo occasion may include several raffle drawings and/or the sale of pull tabs. Often an organization may sponsor only one or two raffles a year as part of its fundraising efforts and not participate in bingo or pull tabs.

The Secretary of State does not keep specific records regarding licensees sponsoring raffles only. To evaluate the current need for a raffles only license, a questionnaire was mailed to certified game managers (please see Appendix D2), data provided by the Office of the Secretary of State was analyzed, and statistics provided by the March 1991 State Auditor's Report on licensing and enforcement within the Secretary of State were reviewed.

The purpose of the questionnaire was to determine the percentage of bingo/raffle licensees who participate only in raffles. The questionnaire included queries regarding the number of raffles held each year, percentage of fundraising from raffles and whether the organization only sponsors raffles and not bingo or pull tabs. The responses to the questionnaire indicate that the percentage of organizations sponsoring raffles only, is 52.8% of total responses received. Of the 72 responses received from games managers, 38 indicate that their organization only sponsors raffles. Seventy-four percent of the 38 respondents note that they hold two or fewer raffles a year, 21% hold three to five raffles a year and the remaining five percent hold fifteen or more raffles a year. Many licensees sponsoring raffles only reported in the questionnaire that the fee of \$62.50 and the 4-6 hour training session for certified games managers has the potential of discouraging organizations from either renewing their license or applying for a new one.

The March 1991 State Auditor's report closely paralleled the statistics from the questionnaire. It indicates that approximately sixty percent of all licensees conduct bingo/games and or pull tab activities. Forty percent hold raffles only, usually only one or two annually. Based on the research conducted for this Sunset Review, indications are that the number of bingo/raffle licensees sponsoring raffles only is somewhat higher than forty percent.

The following chart from the Secretary of State's Office reflects totals kept by calendar quarters.

NUMBER OF LICENSEES CONDUCTING RAFFLES ONLY				
YEAR	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
1988	167	197	190	272
1989	130	195	254	275
1990	125	192	183	221
1991	121	197	143	206
1992	99			

The Office of the Secretary of State reports that the numbers rise in the fourth quarter (and sometimes fall in the third) partly because some licensees hold seasonal (summer) bingo in the second and third quarters and also have holiday raffles in the fourth quarter. Having closed down bingo in September, licensees become "raffles only" licensees for the fourth quarter. The Office explains that overlaps and changes during the year make it impossible to obtain an accurate annual total by adding the "raffle only" figures for the four quarters together. For these reasons, the Office has not attempted to annualize the "raffle only" totals since 1988.

The Office notes that the proportion of "raffle only" licensees to all licensees is fairly consistent from quarter-to-quarter and year-to-year. The Office reports that the proportion tends to stay around fifteen percent in any given quarter and has not exceeded eighteen percent nor been less than twelve percent during the fourteen quarters tabulated above.

Granted, it is difficult to compare the Office of the Secretary of State's quarterly statistics to the Department of Regulatory Agencies' and the Auditor's statistics. However, the Secretary of State's statistics for organizations sponsoring raffles only are at least twenty two percent less than the random sampled questionnaire, and substantially less than the 1991 State Auditor's Report. The large percentage of licensees participating only in raffles reflects a need for a raffle only license.

RECOMMENDATION 5:

AUTHORITY TO USE ADMINISTRATIVE LAW JUDGES

The General Assembly should amend 12-9-103(1)(c), C.R.S. to read as follows: Disciplinary hearings may be conducted by the licensing authority or by an administrative law judge appointed pursuant to part 10 of article 30 of title 24, C.R.S., and shall be held in the manner prescribed in article 4 of title 24, C.R.S. Hearings shall be held and concluded with reasonable dispatch and without unnecessary delay.

State statute charges the Secretary of State with the duties of Hearing Officer for the Licensing and Enforcement program. The Secretary may delegate this responsibility to a Deputy; however, the bingo-raffle legislation does not give the Secretary of State the authority to refer hearings to an Administrative Law Judge. Consequently, the Secretary of State's Office acts as the police, the prosecutor, and the judge. Often licensees believe they will not receive a fair and impartial hearing because they believe the Secretary of State or her Deputy will side with their employees. Many licensees when charged with a violation choose not to have a hearing and to surrender their license for the remainder of the year.

The 1991 State Auditors' Report recommended a statutory revision allowing the Secretary of State to refer bingo/raffle licensing and enforcement hearings to an administrative law judge. In addition, the audit recommended the development of a policy allowing licensees to request hearings by an administrative law judge. The Office of the Secretary of State responded that the current system is under the constant, close scrutiny and supervision of the judiciary. In addition, the Office notes that only the Secretary of State or her Deputy, who are not involved in any way in the day-to-day licensing or enforcement duties, can hear and determine any violation. The Office also maintained that it is difficult to render prompt, fair, and comprehensive judgements in an extremely specialized area such as bingo and raffle games without expertise in the subject and the administrative law judge would run the risk of rendering a decision defective in some detail because of lack of expertise.

Currently, administrative law judges hear cases concerning a wide variety of issues. The "lack of expertise" referred to by the Office of the Secretary of State does not impede ALJs' effectiveness.

RECOMMENDATION 6:

REDUCE THE NUMBER OF DAYS FOR SUSPENSION

The General Assembly should amend part of Section 12-9-103 (1)(a), C.R.S. by changing the number of days from thirty to ten. The new section should read: "To temporarily suspend any bingo/raffle license for a period not to exceed TEN days pending any prosecution, investigation, or public hearing".

Currently section 12-9-103(1)(a), C.R.S. states as follows: To temporarily suspend any bingo/raffle license for a period not to exceed thirty days pending any prosecution, investigation, or public hearing. This authorizes the Secretary of State's Office to suspend a license prior to any investigation, prosecution or public hearing for up to thirty days. This could have a significant impact on the licensees' ability to maintain their fundraising program. Currently, the Secretary of State's Office may stop the operation of a game pending hearing, in which case the hearing must be held within ten days after such notice. The recommended change would require the Office of the Secretary of State to respond to an alleged violation more quickly and prevent a punitive response from continuing unnecessarily.

RECOMMENDATION 7: PROVIDE THAT FINAL DECISIONS IN SUSPENDING OR REVOKING ANY LICENSE BE APPEALED TO THE COURT OF APPEALS.

The General Assembly should amend 12-9-103(8)(a), C.R.S. and 12-9-103(8)(d), C.R.S. by removing the district court reference and replacing it with the Court of Appeals.

Appeal to the Court of Appeals is more appropriate than the current system of appeal to the district court because the case in controversy has already been heard fully at least once. The law requires the exhaustion of administrative remedies and this ensures that a case is given full review at the initial hearing level before going to the judicial system.

For this reason, virtually all of the regulatory boards under the Department of Regulatory Agencies have statutory provisions that allow their disciplinary actions to be appealed to the Colorado Court of Appeals. Such a provision is a necessary element in providing an appropriate level of due process to those persons who may be subject to disciplinary actions. This type of provision to appeal works well in other regulatory agencies and should be added to the Bingo and Raffles Law.

RECOMMENDATION 8: REORGANIZE SECTION 12-9-103, C.R.S. ENTITLED "LICENSING AUTHORITY -POWERS - DUTIES - LICENSE SUSPENSION OR REVOCATION PROCEEDINGS"

The General Assembly should reorganize Section 12-9-103, C.R.S. and divide it into separate sections addressing: (1) powers and duties of the licensing authority, (2) suspension or revocation of license and, (3) disciplinary proceedings.

Bingo/raffle licensees currently are allowed to deduct expenses from their bingo operations but are limited in the expenses they can deduct from their pull tab operations. In fact, pull tabs often account for a greater percentage of gross receipts in an evening than bingo. In 1991, pull tab gross proceeds were \$156 million while bingo proceeds equalled \$59 million. Presently, the quarterly bingo expense and income summary statement required by the Office of the Secretary of State allows bingo/raffle licensees to deduct rent, security, supplies, bookkeeping, and janitorial services from the adjusted receipts to determine the net profits. However, the quarterly pull tab expense and income summary statement required by the Office of the Secretary of State only allows pull tab costs and miscellaneous pull tab expenses to be deducted from the total gross receipts of pull tabs (please see Appendices H1 and H2 as examples of income statements).

The primary issue here is one of fairness. A bingo hall is rented for the purpose of conducting bingo and also to sell pull tab tickets. The security guard is hired as a safeguard because substantial amounts of money are expended in both bingo and pull tabs. Licensed organizations that sell pull tabs in conjunction with their bingo occasions should be allowed to apportion expenses in connection with such bingo and pull tab sales. At the end of a calendar quarter, the organization may determine its total gross receipts from the conduct of bingo and sale of pull tabs. It may then subtract allowable expenses from the sum total. This means that the state may receive less revenue but allowing licensees to subtract expenses from pull tab operations is a fairer procedure.

RECOMMENDATION 11: CLARIFY THE TERM "RAFFLE".

The General Assembly should add the definition of raffle to section 12-9-102 C.R.S. to read as follows: "Raffles" are of two types: 1) raffle means a game in which a participant buys a ticket for a chance at a prize with the winner determined by a random drawing to take place at a location and on a date printed upon the ticket or 2) raffle means a pull tab ticket as defined in section 12-9-102(18.1), C.R.S. 3) Raffle shall not mean or include any activity which is authorized or regulated under the Colorado State Lottery Division, C.R.S. 24-35-201 et. seq. or the Limited Gaming Act of 1991, C.R.S. 12-47.1-101 et. seq.

In the current Bingo and Raffles Law statute, the term raffle is not separately defined. Section 12-9-102 (7), C.R.S. defines "game of chance" and includes a definition of raffle. This definition reads: "specific game of chance commonly known as raffles which is conducted by drawing for prizes or the allotment of prizes by chance, by the selling of shares or tickets or rights to participate in such a game." This definition has led the Office of the Secretary of State to stop drawings such as those held at the National Western Stock Show and other convention sites, contending that they are holding a raffle and not a free drawing (please see discussion on page 7). House Bill 92-1368 addressed the National Western Stock Show problem, but there is still continuing confusion over the definition of a raffle. Because of the

confusion over the definition of raffle, sometimes referred to as a lottery or pull tab, it is imperative that this term be clarified.

Promotional free drawings occur often throughout the State of Colorado in restaurants, retail stores, shopping malls, etc. where there is no fee required for admittance. However, when a promotional drawing takes place in the convention center, at a stock show, or during an association's meeting where a ticket is required for attendance, it may be interpreted as a raffle according to section 12-9-102(7) C.R.S. Such a conclusion is not reasonable. Simply because a person buys a ticket for an event does not automatically enter his/her name into a drawing. By including the above definition of raffle in the statutes, the problems often encountered by those sponsoring "free drawings" as opposed to those sponsoring "raffles" may be solved.

RECOMMENDATION 12: REDEFINE "GAMES OF CHANCE".

The General Assembly should amend Section 12-9-102(7) to read:

"Game of chance" means those specific kinds of games of chance commonly known as bingo, raffles and pull tabs.

The statute currently reads as follows: 'Game of chance' means that specific kind of game of chance commonly known as bingo or lotto in which prizes are awarded on the basis of designated numbers or symbols selected at random and that specific kind of game of chance commonly known as raffles which is conducted by drawing for prizes or the allotment of prizes by chance, by selling of shares or tickets or rights to participate in such a game.

The current definition of "game of chance" in section 12-9-102, C.R.S. includes lotto, bingo, and raffles. The definition is not consistent with charitable gaming in Colorado which includes bingo, raffles, and pull tabs. "Lotto," according to Rule 10.A, Code of Colorado Regulations, is a Colorado Lottery on-line game authorized to be conducted by the Director of Revenue under Rules and Regulations 10.A.

The new definition will reflect the state of charitable gaming as it exists in Colorado. The term "game of chance" is consistently used throughout the statute when referring to bingo, raffles, and pull tabs. Recommendation 10, which recommends a change in the expense summary deductions, is dependent on a change in the definition of "game of chance."

RECOMMENDATION 13:

DEFINE THE TERM "BINGO"

The General Assembly should add the definition of bingo to section 12-9-1-102, C.R.S. to read as follows:

"Bingo" means a game of chance played for prizes with cards or sheets containing five rows of five squares bearing numbers, except for the center square which is a free space. Traditional bingo also requires that the letters "B I N G O" appear in order over each column. The holder of a card or sheet covers such numbers when objects similarly numbered are randomly drawn. The game is won when a previously designated arrangement of numbers on such cards is covered.

The existing statutes do not define bingo separately but include a definition in "game of chance". The term pull tab game is defined and Recommendation 11 in this report includes a definition of raffles. For clarification and enforcement, each game of chance regulated by this statute should be defined.

Additionally, there are other forms of gambling such as keno and lotto which would be legal under broader definition of bingo. While these games have some similarities with bingo, they are sufficiently different. Therefore, a narrow definition is recommended to ensure that if games of chance are expanded to include other areas it is a conscious decision made by the Legislature rather than a broad interpretation of the definition of bingo.

RECOMMENDATION 14:

**ADOPT CONSISTENT LANGUAGE IN THE
STATUTE WHEN REFERRING TO NET
PROCEEDS.**

The General Assembly should amend C.R.S. Section 12-9-107(11), 12-9-107(12), and 12-9-108(4) by replacing the term net profits with the term net proceeds.

The statute uses both terms net profits and net proceeds interchangeably. The term net proceeds is defined in the statutes. The internal bingo auditor confirmed that the intent of net proceeds is the same as that of net profits. Using different terms often confuses the licensees.

RECOMMENDATION 15:

CREATE AGE LIMITATIONS FOR PERSONS ASSISTING IN THE CONDUCT OF BINGO AND PULL TABS.

The General Assembly should add Section 12-9-107(28), C.R.S. to read:

No person or licensee shall permit any person who has not attained the age of sixteen years to assist in the conduct of bingo and/or pull tabs.

The statute currently prohibits minors from purchasing the opportunity to participate in any game of chance or purchase pull tab pickets. The statute does not address the practice of utilizing children as volunteers. The intent as in other forms of gaming, is to avoid encouraging children to participate. Often, charitable organizations have children much younger than age sixteen assisting in the conduct of bingo. Pressure is sometimes put on these children to participate.

The North American Gaming Regulators Association recommends in their 1992 Bingo Standards that minors not be allowed to either play or work in a game/occasion. Specifically, age sixteen was recommended for the Colorado Bingo/Raffle law to allow organizations who currently utilize high school students as volunteers at bingo games to continue this practice. To disallow any minor, defined in C.R.S. 2-4-401 as any person who has not attained the age of twenty-one years, would unnecessarily burden some nonprofit organizations who routinely utilize these high-school students.

RECOMMENDATION 16:

REWORD STATUTE TO INCLUDE GAMES MANAGERS.

The General Assembly should amend section 12-9-107(21), C.R.S. by adding the following:

No person shall act as games manager in the conduct of any game of chance unless he/she has never been convicted of a felony, and never been convicted of a crime involving gambling.

This revision would require that games managers have never been convicted of a felony or have never been convicted of a crime involving gambling. The games managers are responsible for the supervision and operation of a bingo game on behalf of a licensed organization, including the conduct or operation of any pull tab sales. He/she is also the authority on the premises where the bingo game is conducted. The games manager supervises and directs other people working at such bingo games. This recommendation does not require the licensing authority to perform background checks on games

managers. Due to time and budgetary constraints, it is prohibitive to perform background checks on all games managers. However, it would allow punitive actions if it was discovered that a games manager had been convicted of a felony or convicted of a crime involving gambling.

RECOMMENDATION 17: PROVISIONS FOR BRAILLE CARDS

The General Assembly should amend section 12-9-107 to include reference to the use of braille cards. The amended section should read:

"No operator shall reserve, or allow to be reserved, any bingo cards for use by players except braille cards or other cards for use by legally blind players. Legally blind players may use their personal braille cards when a licensed organization does not provide such cards. The licensed organization has the right to inspect, and to reject, any personal braille card. A legally blind or disabled person may use a braille card or hard card in place of a purchased disposable paper bingo card.

There is currently no provision in the bingo statutes for legally blind bingo players. Bingo laws received from other states all had this provision. The Colorado Federation for the Blind reports that very occasionally a legally blind player is denied access to a game. Enacted July 26, 1990, the Americans with Disabilities Act (ADA) is designed to protect disabled Americans from discrimination in employment, transportation, and other aspects of everyday life. Recommendation 17 would provide the opportunity for all Colorado citizens to play bingo.

It is also recommended that rules be promulgated regarding the use of braille cards in bingo halls. There are two issues that need to be addressed during rule making: (1) provisions for an equitable fee to be charged to any bingo player who brings their own braille card to a bingo hall. Most bingo halls currently charge a minimum fee at the door to play bingo. This fee usually includes a pack of disposable bingo sheets. By requiring braille players to pay a fee, any inequity perceived by sighted players would be alleviated; (2) authority for bingo/raffle licensees to be able to provide braille cards to the visually impaired without restrictive regulations. If a bingo/raffle licensee wants to offer braille cards, they should not be burdened by rules and regulations that require the purchase of an expensive series of cards.

The Colorado Federation for the Blind currently provides braille bingo cards at no charge to any visually impaired persons who desires to play bingo.

RECOMMENDATION 18:

APPLICATION FOR LANDLORD LICENSE FEE

The General Assembly should amend the title of 12-9-105.3, C.R.S. entitled, Application for landlord license - fee, by deleting the word fee.

There is no reference to the landlord license fee in Section 12-9-105.3, C.R.S. It specifically addresses the requirement for a written application. Section 12-9-106.5, C.R.S. Form of landlord license -display - fee contains the information pertinent to the landlord licensing fee.

RECOMMENDATION 19:

DELETE THE WORD "COMPENSATION" FROM TITLE OF SECTION 12-9-107, C.R.S.

The General Assembly should amend the title of section 12-9-107, C.R.S., Persons permitted to conduct games - premises - equipment - expenses -compensation, by removing the word "compensation".

There is no mention of compensation in this section and that word should therefore be deleted from the title as not to be confusing.

RECOMMENDATION 20:

DELETE DUPLICATE LANGUAGE.

The General Assembly should delete section 12-9-107(13), C.R.S. that reads:

No person shall assist in the holding, operating, or conducting of a bingo game under any license except bona fide, active members of the licensee, active members of any organization which is an auxiliary to the licensee, active members of an organization of which the licensee is an auxiliary, or active members of an organization which is affiliated with the licensee by being, with it, auxiliary to another organization.

Section 12-9-107(13), C.R.S. duplicates language found in 12-9-107(1), C.R.S.

VII. ADMINISTRATIVE FINDINGS AND RECOMMENDATIONS ADMINISTRATIVE FINDINGS AND RECOMMENDATIONS ADMINISTRATIVE FINDINGS AND RECOMMENDATIONS

RECOMMENDATION 21: REVISIONS TO THE GAME MANAGERS TRAINING SESSION.

The Office of the Secretary of State should designate the first part of the certified games manager training to address information pertinent to raffles only. Upon completion of the raffle session, examinations for games managers only supervising raffles would be issued while the trainer continues the more extensive bingo and pull tab training.

Games managers of organizations only sponsoring raffles would be required to attend solely the raffle portion of the training and not spend several hours participating in bingo/pull tab training. As discussed in Recommendation 4, a large percentage of bingo/raffle licensees only sponsor raffles.

RECOMMENDATION 22: IMPROVE ADMINISTRATION OF COMPLAINTS AGAINST BINGO/RAFFLE LICENSEES.

The Secretary of State should establish prompt and efficient complaint handling procedures to decrease misrepresentation and fraud to the public and to charities.

The Secretary of State needs to establish a timetable for each step of the complaint handling process to ensure that complaints are handled in a timely manner. Complaints reviewed from 1989 through March 1992 were handled inconsistently. For example, sometimes the Office of the Secretary of State contacts licensees and asks for a response to the complaint made against them. It then notifies the complainant of this response and considers the case closed. However, in other cases, files would only contain the complaint and there would be no evidence of any action taken. There does not seem to be any consistency for complaint handling to ensure that complaints are handled in a timely manner.

The Sunset criteria include whether complaint procedures adequately protect the public. In order to decrease misrepresentation and fraud to the public and to charities, prompt and efficient complaint handling is critical.

A questionnaire was distributed to persons submitting complaints to ascertain whether they felt that the Office of the Secretary of State investigated the complaint fairly, in a timely manner, and whether they were satisfied with the resolution of the complaint. The response to the questionnaire was very disappointing regarding the number of responses received. Of the five persons responding, three replied that the Office of the Secretary of State did not investigate

their complaint in a timely manner. Two persons responded

RECOMMENDATION 24:

COMPILE AND REPORT ANNUAL DATA FROM CHARITABLE GAMING ACTIVITIES

The Secretary of State should compile and report annually statistical data that reflects the distribution of charitable gaming dollars to bingo/raffle licensees, the charitable gaming public, bingo hall landlords, and gaming suppliers and manufacturers.

In 1991, the gross proceeds for charitable gaming in Colorado reached \$221 million. The nonprofit organizations sponsoring these games received approximately \$34.5 million, 15% of the gross proceeds. The Office of the Secretary of State receives 3% of the net proceeds from bingo/raffle licensees as an administrative fee. The remaining dollars are distributed among the other participants in the gaming industry, namely, the gaming public, bingo hall landlords, manufacturers and suppliers. An industry that generates over \$220 million needs to track the dollars spent by the public. This report previously described the declining proceeds experienced by the bingo/raffle licensees. There was only speculation as to the cause of this decline.

In 1991, the Office of the Secretary of State instituted a computer audit program to verify compliance with the bingo/raffle statutes and regulations. The computer program tracks the flow of business between bingo/raffle licenses and manufacturer and supplier licenses. By utilizing the expertise of the internal auditor with the Licensing and Enforcement Division, the Office of the Secretary of State should devise a program that would provide financial data on the charitable gaming industry similar to that found in Appendix I.

The following recommendations for rule additions and changes regarding the Conduct of Bingo and Raffles should be considered by the Secretary of State for their next rule making hearing.

RECOMMENDATION 25:

CLARIFY DEFINITION OF TERM "PRICE BREAK"

Current: Only one price **break** will be allowed for sales of multiple extra cards, sheets or packs.

Issue: The term "break" in Rule 13 (6) is often misinterpreted. It refers to the sales of multiple extra bingo cards, sheets, or packs either at the door or on the floor. It is often interpreted as a monetary discount when in effect, it may also refer to a price differential upwards.

Recommendation: Change the language in Rule 13 (6) to read: Only one price differential, whether upwards or downwards, will be allowed for sales of multiple extra cards, sheets or packs. If the price differential is allowed at the door and sheets are sold on the floor in addition to sheets or packs sold at the door, the price of a sheet or face sold on the floor must be the same as for an individual sheet or face from the master pack.

RECOMMENDATION 26: CONTROL OF PRIZES

Current: Pull tab licensees shall award all prizes in cash or in merchandise, except that winning cash tickets may be exchanged for new tickets (Rule 19 (1)).

Issue: The only license that currently exists is a Bingo/Raffle license.

Recommendation: Correct Rule 19 (1) to read: **Bingo/Raffle licensees** shall award all prizes for pull tabs in cash or in merchandise, except that winning pull tab cash tickets may be exchanged for new tickets.

RECOMMENDATION 27: REQUIREMENT FOR A VALID BINGO

Current: The last number called is not a requirement for a good bingo, unless there is a visibly posted house rule to the contrary.

Issue: There is often confusion generated by this rule in the bingo community evidenced by the comments from the bingo/raffle complaint files at the Office of the Secretary of State. Since the policy may vary depending on the hall where one plays, consistency in this rule would alleviate the misunderstanding that the bingo public may have regarding the requirement for a "good bingo".

Recommendation: Revise Rule 15(e) to follow the 1992 North American Gaming Regulators Association recommended bingo standards. The recommendation for a valid bingo reads as follows: Winners are determined when the announced pattern of squares is covered by a player(s) on a card. The winning card should contain the last number called. It is the player's responsibility to notify the game operator or caller that he/she has a winning bingo combination as announced. Should a player fail to stop the game before the next number is called, the bingo shall not be honored.

APPENDIX A

SUNSET STATUTORY EVALUATION CRITERIASUNSET STATUTORY EVALUATION CRITERIASUNSET STATUTORY EVALUATION CRITERIA

- (I) Whether regulation by the agency is necessary to protect the public health, safety and welfare; whether the conditions which led to the initial regulation have changed; and whether other conditions have arisen which would warrant more, less or the same degree of regulations;**
- (II) If regulation is necessary, whether the existing statutes and regulations establish the least restrictive form of regulation consistent with the public interest, considering other available regulatory mechanisms and whether agency rules enhance the public interest and are within the scope of legislative intent;**
- (III) Whether the agency operates in the public interest and whether its operation is impeded or enhanced by existing statutes, rules, procedures and practices of the Department of Regulatory Agencies and any other circumstances, including budgetary, resource and personnel matters;**
- (IV) Whether an analysis of agency operations indicates that the agency performs its statutory duties efficiently and effectively;**
- (V) Whether the composition of the agency's board or commission adequately represents the public interest and whether the agency encourages public participation in its decisions rather than participation only by the people it regulates;**
- (VI) The economic impact of regulation and, if national economic information is available, whether the agency stimulates or restricts competition;**
- (VII) Whether complaint, investigation and disciplinary procedures adequately protect the public and whether final dispositions of complaints are in the public interest or self-serving to the profession;**
- (VIII) Whether the scope of practice of the regulated occupation contributes to the optimum utilization of personnel and whether entry requirements encourage affirmative action;**
- (IX) Whether administrative and statutory changes are necessary to improve agency operations to enhance public interest.**

APPENDIX B
BINGO, RAFFLE AND PULL TAB PROCEEDS BINGO, RAFFLE AND PULL TAB PROCEEDS BINGO, RAFFLE AND PULL TAB PROCEEDS

CALENDAR YEAR 1980 - 1991
(Source: Office of the Secretary of State)

Year	Gross Proceeds	Net Proceeds	*Secretary of State Fee
(1980)			
Bingo	17,891,724	3,038,494	82,417
Pull-Tab	20,516,850	6,024,658	160,288
Raffle	2,779,693	1,549,937	38,894
TOTAL	40,988,267	10,613,089	281,599
(1981)			
Bingo	21,468,860	3,564,667	93,504
Pull-Tab	24,153,788	7,204,575	178,398
Raffle	3,311,892	2,121,230	58,331
TOTAL	48,934,540	12,890,472	331,233
(1982)			
Bingo	25,510,041	3,883,479	103,189
Pull Tab	30,086,952	8,102,558	203,592
Raffle	4,658,626	2,731,078	70,404
TOTAL	60,255,619	14,717,115	377,185
(1983)			
Bingo	25,891,837	3,366,100	83,865
Pull-Tab	33,361,839	9,045,037	229,558
Raffle	4,106,547	2,515,733	63,411
TOTAL	63,360,223	14,926,870	376,834
(1984)			
Bingo	29,460,224	3,839,269	96,202
Pull-Tab	41,127,919	10,849,019	272,215
Raffle	4,549,672	2,785,057	69,954
TOTAL	75,137,815	17,473,345	438,371
(1985)			
Bingo	31,906,859	3,341,596	83,543
Pull-Tab	48,781,781	11,819,563	295,489
Raffle	4,475,890	2,887,512	72,187
TOTAL	85,164,530	18,048,671	451,219
(1986)			
Bingo	34,883,716	3,251,274	81,283
Pull-Tab	61,593,891	13,754,017	343,850
Raffle	4,494,794	2,853,615	71,341
TOTAL	100,972,401	19,858,906	496,474
(1987)			
Bingo	39,414,287	3,306,739	82,669
Pull-Tab	81,644,453	15,646,428	391,161
Raffle	4,652,767	2,845,851	71,147
TOTAL	125,711,507	21,799,018	544,977
(1988)			
Bingo	41,908,634	3,350,216	99,940
Pull-Tab	98,601,750	18,081,070	538,729

Raffle	4,511,580	2,840,871	84,718
TOTAL	145,021,964	24,272,157	723,387
(1800)			
Bingo	46,885,139	3,541,738	106,253
Pull-Tab	115,479,134	20,551,213	616,536
Raffle	4,861,386	2,951,888	88,557
TOTAL	167,225,659	27,044,839	811,346
(1800)			
Bingo	53,793,721	4,229,519	126,885
Pull-Tab	137,964,324	23,860,254	715,808
Raffle	5,207,188	3,084,255	92,518
TOTAL	196,965,233	31,174,028	935,211
(1800)			
Bingo	59,253,786	4,379,921	131,398
Pull Tab	156,827,389	27,047,448	811,423
Raffles	5,357,918	3,246,298	97,389
TOTAL	221,439,094	34,673,667	1,040,211

* The Office of the Secretary of State received an administrative fee of 3% of the net proceeds from bingo, pull tabs and raffles.

Gross Proceeds include receipts from the sale of shares, tickets, or rights connected with participation in a game of chance, the sale of equipment or supplies, and other miscellaneous receipts.

Net Proceeds is defined as the gross proceeds less such expenses, charges, fees and deductions as specifically authorized. Expenses include goods, wares, and merchandise furnished or services rendered reasonably necessary for the holding, operating or conducting games of chance.

APPENDIX C

GROSS PROCEEDS VS. NET PROCEEDS GROSS PROCEEDS VS. NET PROCEEDS GROSS PROCEEDS VS. NET PROCEEDS

(Net Proceeds = Bingo/Raffle Licensee's Share)

APPENDIX D
RESULTS OF BINGO QUESTIONNAIRE - BINGO AND RAFFLE
RESULTS OF BINGO QUESTIONNAIRE - BINGO AND RAFFLE
RESULTS OF BINGO QUESTIONNAIRE - BINGO AND RAFFLE
47 Responses Out Of 111 Total Responses

NUMBER OF RAFFLES PER YEAR

0 TO 5 -- 51%
6 TO 10 -- 4%
11 TO 25 -- 9%
26 TO 52 -- 23%
53 TO 104 -- 13%

NUMBER OF BINGO GAMES HELD

WEEKLY -- 60%
TWICE WEEKLY -- 15%
MONTHLY -- 6%
TWICE MONTHLY -- 9%
OTHER -- 4%
ONCE YEARLY -- 6%

NUMBER OF YEARS SPONSORING BINGO

0 TO 5 -- 45%
6 TO 10 -- 23%
11 TO 20 -- 13%
21 TO 40 -- 11%
41+ -- 6%
NOT ANSWERED -- 2%

AVERAGE PERCENT OF FUNDRAISING FROM BINGO -- 22%

AVERAGE PERCENT OF FUNDRAISING FROM PULL TABS -- 55%

AVERAGE PERCENT OF FUNDRAISING FROM RAFFLES -- 9%
(81% OF 47 RESPONSES WERE TALLIED FOR ABOVE THREE AVERAGES)

PERCENT OF RESPONSES WHO NOTICED AN INCREASE IN BINGO/PULL TAB SUPPLIES -- 28%

PERCENT OF GAMES MANAGERS WHO FOUND CERTIFICATION INFORMATION:

EXCELLENT -- 15%
GOOD -- 32%
ACCEPTABLE -- 34%
CONFUSING -- 8.5%
INADEQUATE -- 8.5%
BOTH CONFUSING AND INADEQUATE -- 2%

PERCENT OF THOSE SEEKING INFORMATION FROM THE SECRETARY OF STATE'S OFFICE FINDING IT:

EXCELLENT -- 11%
GOOD -- 21%
ACCEPTABLE -- 15%
CONFUSING -- 11%
INADEQUATE -- 4%
NOT APPLICABLE DUE TO NOT SEEKING INFORMATION -- 38%

PERCENT OF THOSE WHO FOUND TRAINING INFORMATION:

EASY TO UNDERSTAND -- 80.9%
DIFFICULT TO UNDERSTAND -- 10.6%
MIXED FEELINGS -- 8.5%

PERCENT OF THOSE WHO ARE CONFIDENT ABOUT FILLING OUT FORMS AFTER ATTENDING THE TRAINING SESSION -- 94%

APPENDIX D2

**RESULTS OF BINGO QUESTIONNAIRE - RAFFLE RESULTS OF BINGO QUESTIONNAIRE - RAFFLE RESULTS OF
BINGO QUESTIONNAIRE - RAFFLE
52 Responses Out Of 111 Total Responses**

NUMBER OF RAFFLES PER YEAR

0 TO 2 -- 77%
3 TO 5 -- 19%
15 TO 20 -- 2%
50+ -- 2%

PERCENT OF FUNDRAISING FROM RAFFLES

0 TO 5% -- 42.3%
6 TO 10% -- 17.3%
11 TO 25% -- 15.3%
26 TO 50% -- 7.6%
51 TO 100% -- 17.3%

PERCENT OF GAMES MANAGERS WHO FOUND CERTIFICATION INFORMATION:

EXCELLENT -- 15%
GOOD -- 31%
ACCEPTABLE -- 27%
CONFUSING -- 17%
INADEQUATE -- 8%
NO COMMENT -- 2%

PERCENT OF THOSE SEEKING CLARIFYING INFORMATION FROM THE SECRETARY OF STATE'S OFFICE FINDING IT:

EXCELLENT -- 7.7%
GOOD -- 21.2%
ACCEPTABLE -- 11.5%
CONFUSING -- 1.9%
INADEQUATE -- 5.8%
NOT APPLICABLE DUE TO NOT SEEKING INFORMATION -- 51.9%

PERCENT OF THOSE WHO FOUND TRAINING SESSION INFORMATION:

EASY TO UNDERSTAND -- 71%
DIFFICULT TO UNDERSTAND -- 17%
MIXED FEELINGS -- 8%
NOT APPLICABLE -- 4%

PERCENT WHO FELT THE TRAINING SESSION PROVIDED MORE INFORMATION THAN NECESSARY -- 58%

PERCENT WHO ARE CONFIDENT ABOUT FILLING OUT FORMS AFTER ATTENDING THE TRAINING SESSION - 87%

APPENDIX E

BINGO QUESTIONNAIREBINGO QUESTIONNAIREBINGO QUESTIONNAIRE

Date_____ Organization

Your Name_____ (optional)

1) Does your organization sponsor: ___bingo ___raffle or, ___both bingo and raffle? (please check applicable line)

(2) How many raffles per year does your organization usually hold?

(3) How often does your organization have bingo games? (daily, weekly, etc.?)

(4) How many years has your organization sponsored bingo games?

(5) Please give approximate percentages of your fundraising that is from bingo _____%, pull tabs____%, and/or raffles ____%.

(6) Currently the Colorado Constitution prohibits any type of compensation to be paid to bingo operators. Do you have problems finding volunteers to assist at bingo games?

(7) Would you please comment on the effect that compensating bingo operators might have on your organization (positive or negative).

(8) Were you involved in any discussions with the Secretary of State's office regarding the revised statutes and rules and regulations for the conduct of bingo and raffles games? Please discuss.

(9) Would you please comment on how the new bingo law has affected the administration and success of your bingo games. You might discuss such topics as reporting format, administrative time required for reporting requirements, allowable expenses, daily occasion records, etc.]

(10) As the new bingo law requires licensing of suppliers and manufacturers, have you noticed an increase in prices for your bingo and/or pull tab supplies? ___Yes ___No

Comments:

The following questions pertain to the new games manager certification training session that is currently required in order to hold a bingo or raffle. Please answer the questions below by checking your response:

(11) If your organization only sponsors raffles, what is your opinion of the required games manager training session? Please comment.

(12) How would you describe the information that you received from the Secretary of State regarding the new (1991) requirement for certifying games managers?

Excellent Good Acceptable Confusing Inadequate

Additional comments:

(13) If the information regarding the new training requirement was unclear and you contacted the Secretary of State's Office for clarification, what was your level of satisfaction with regard to their responses to your inquiries.

Excellent Good Acceptable Confusing Inadequate

Additional comments:

(14) At the training session, was the information:

Easy to understand Difficult to understand

Additional comments:

(15) Do you feel confident that you can correctly fill out all the required forms after attending the training sessions?

Yes No

APPENDIX F

1992 SUNSET SURVEY OF COMPLAINTS BY BINGO PLAYERS SUNSET SURVEY OF COMPLAINTS BY BINGO PLAYERS

FOR EACH ITEM, PLEASE CHOOSE ONE RESPONSE. ADDITIONAL SPACE IS INCLUDED FOR YOUR COMMENTS.

1. How often do you play bingo?

- a. More than twice a week
- b. Once a week
- c. Only occasionally

2. Do you primarily choose the bingo hall at which you play because:

- a. You like the way the bingo hall and games are run
- b. The time and occasion are convenient
- c. You want your bingo money to go to a specific nonprofit organization.
- d. Your friends play at a certain location
- e. Other, please specify:

3. How did you determine that the Secretary of State's Office is the appropriate agency to file a complaint against a bingo occasion?

- a. Referred by another government agency
- b. A friend told me
- c. Someone at the bingo hall told me
- d. Other, please specify:

4. Do you feel the Office of the Secretary of State investigated the complaint fairly?

- a. Yes
- b. No
- c. I don't know what the Office did with my complaint

5. Do you feel that the Office of the Secretary of State investigated the complaint in a timely manner?

- a. Yes
- b. No

6. Do you feel that the Office of the Secretary of State treated you courteously during the complaint review process?

- a. Yes**
- b. No**

7. Were you satisfied with the resolution of the complaint by the Office of the Secretary of State?

- a. Very satisfied**
- b. Somewhat satisfied**
- c. Somewhat dissatisfied**
- c. Very dissatisfied**

8. What impact does your complaint experience have on your plans to continue playing bingo?

- a. I will switch bingo halls**
- b. I will continue playing where I previously played**
- c. No impact.**

9. Regarding your complaint experience, how responsive do you feel the Colorado State Government is to its citizens.

- a. Very responsive**
- b. Somewhat responsive**
- c. Totally unresponsive**

10. Other comments you wish to make:

APPENDIX G

COMPENSATION FOR OPERATORS OF BINGO

Date

State and Department

Name and Title

How long has your state allowed compensation for bingo operators?

Comments:

If compensation was previously illegal, what reasons prompted a change in the law?

If compensation is a relatively new program, is there any evidence of an increase in persons willing to operate bingo games?

Do your bingo operators have to be members of the sponsoring organization?

What fee is paid to the bingo operators?

From your state's experience, what are the benefits of compensation?

Have there been any problems with compensating bingo operators?

APPENDIX H1

Bingo Expense and Income Summary

Bingo Expense and Income Summary	Quarter: License #: Org:
1 Total cash payouts (LE 32, line 14a) \$	
2 Merchandise payouts a \$ b Retail value: _____	
3 Total payouts (add lines 1 + 2) \$	
4 Rent a Hall #1: \$ _____ Hall #2: \$ _____ Hall #3: \$ _____ (Put address on back if different than landlord.)	b total 4c Landlord #1: Name: Address: Landlord #2: Name: Address: Landlord #3: Name: Address: 5c Security #1: Name: Address: Security #2: Name: Address: Security #3: Name: Address:
5 Security a #1: \$ _____ #2: \$ _____ #3: \$ _____	b total _____
6 Supplies and other deductible costs: Description: Vendor/Address:	\$

Description:	\$	
Vendor/Address:		
Description:	\$	
Vendor/Address:		
Description:	\$	
Vendor/Address:		
Description:	\$	
Vendor/Address:		
7 Total Supplies	\$	9 Time occasions held:
8 Bookkeeping Name:	\$	
Address:		
10 Janitorial Name:	\$	
Address:		
11 Total Expenses (add totals in lines 4, 5, 7, 8, 10)	\$	
12 Adjusted Receipts (from the LE 32, line 15c)	\$	
13 Total Costs (add lines 3 and 11)	\$	
14 Net Profit (Line 12 minus Line 13)	\$	

APPENDIX H2

Pull Tab Expense and Income Summary Pull Tab Expense and Income Summary Pull Tab Expense and Income Summary

Pull Tab Expense and Income Summary		Quarter:
		Lic. #:
		Org:
		Game Location:
1 Gross Receipts: pull tabs sold/ bingo occasion		
2 Gross Receipts: pull tabs sold/ bar/club room		
3 Total gross receipts (line 1 + line 2)		
4 Cash payouts: bingo occasions		
5 Cash payouts: bar/club room		
6 Cost of merchandise:		
7 Total payout: (Line 4 + 5 + 6)		
8 Pull tab cost:		
Description:	\$	
Vendor/Address:		
Description:	\$	

Vendor/Address:			
Description:		\$	
Vendor/Address:			
9 Misc. pull tab expenses			
Description:		\$	
Vendor/Address:			
Description:		\$	
Vendor/Address:			
Description:		\$	
Vendor/Address:			
10 Total cost and misc. expenses (line 8 + 9)			
11 Grand total expenses (line 7 + 10)			
12 Pull tab net profit (line 3 - line 11)			

APPENDIX I

Analysis of Bingo/Raffle Income Distribution

Bingo Receipts		100.00%
Bingo Payouts	\$798,620.75	77.3%
Bingo Rent	\$109,896.00	10.6%
Bingo Supplies	\$40,161.62	3.9%
Misc. Bingo Expenses	\$40,006.65	3.9%
Bingo Profits	\$44,001.09	4.3%
Sec. of State Fees (not including license fee)	\$2,855.08	0.3%
Bingo Profit After Fees	\$41,146.01	4.0%
Pull Tab Receipts	\$2,086,674.31	100.00%
Pull Tab Payouts	\$1,642,073.76	78.7%
Pull Tab Supplies	\$68,763.63	3.3%
Misc. Tab Expenses	\$3,281.23	0.2%
Pull Tab Profits	\$372,555.69	17.9%
Sec. of State Fees (not including license fee)	\$11,195.46	0.5%
Pull Tab Profit After Fees	\$361,360.23	17.3%
Raffle Receipts	\$15,950.22	100.00%
Raffle Prize Costs	\$8,779.29	55.0%
Misc. Raffle Expenses	\$372.06	2.3%
Raffle Profits	\$6,798.87	42.6%
Sec. of State Fees	\$213.04	1.3%
Raffle Profits After Fees	\$6,585.83	41.3%

Total All Receipts	\$3,135,310.64	100.00%
Total All Payouts	\$2,449,473.80	78.1%
Total Expenses - Rent	\$109,896.00	3.5%
Total Expenses - Supplies	\$117,704.54	3.8%
Total Expenses - Misc.	\$43,659.94	1.4%
Total Profits	\$423,355.65	13.5%
Total All State Fees (including yearly license fee)	\$15,013.58	0.5%
TOTAL PROFITS AFTER ALL FEES	\$408,342.07	13.0%
<ol style="list-style-type: none"> 1. Based on limited non-random sample of twelve licensees from 1991 quarterly reports. 2. The expenses used were the actual expenses reported, regardless of whether they were "deductible" for fee calculation. 3. Misc. Expenses includes security, bookkeeping, office supplies, printing costs and equipment. 4. Expenses for supplies include bingo paper, pull tabs, raffle prizes and other costs incurred through bingo industry suppliers. 5. The raffle sample is for raffles that occurred at bingo occasions only. <p>By Ken Burkert - 6/29/92</p>		