HB 560-FN-A-LOCAL - AS AMENDED BY THE HOUSE

9Mar2017... 0481h

2017 SESSION

17-0526
08/09

HOUSE BILL ***560-FN-A-LOCAL***

AN ACT establishing keno.

SPONSORS: Rep. Azarian, Rock. 8; Rep. Abrami, Rock. 19; Rep. Ohm, Hills. 36

COMMITTEE: Ways and Means

ANALYSIS

This bill:

I. Allows the operation and playing of keno games.

II. Provides for licensing of keno game operators by the lottery commission.

III. Directs revenues from keno to the department of health and human services to address problem gamblers and to the education trust fund.

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Explanation: Matter added to current law appears in ***bold italics.***
Matter removed from current law appears [~~in brackets and struckthrough.~~]
Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Seventeen

AN ACT establishing keno.

Be it Enacted by the Senate and House of Representatives in General Court convened:

1 New Subdivision; Keno. Amend RSA 284 by inserting after section 40 the following new subdivision:

Keno

284:41 Definition. In this subdivision, "keno" means any game where a player purchases a ticket from a field of 80 numbers and selects a specific amount of numbers. A random number generator employed by the lottery commission chooses 20 numbers at random and the player is paid out against his or her original wager.

284:42 Administration and Enforcement. The lottery commission shall administer and enforce this subdivision relative to keno games operating in a town or city that has voted to allow such gaming.

284:43 Rulemaking. The lottery commission shall adopt rules, pursuant to RSA 541-A, relative to:

I. The application procedure for keno licenses.

II. Information to be required on license applications.

III. Procedures for a hearing following the revocation of a license.

IV. The operation of keno games, including types and amounts of wagers.

V. Information required and forms for submission of financial reports.

284:44 License Fees.

I. The license fee for a commercial premises keno license issued under RSA 284:46 shall be $500 per year. Such fee shall be submitted to the lottery commission at the time the application is made and shall be refunded if the application is denied.

II. All net proceeds collected by the lottery commission under this section and RSA 284:47 shall be deposited in the education trust fund established under RSA 198:39.

284:45 License Applications.

I. Applications shall be submitted to the lottery commission by the licensee. Proof of authority to submit the application on behalf of the licensee may be required.

II. Applications shall be made only on the forms supplied to the licensee by the lottery commission.

III. The application form shall be fully completed by the licensee.

IV. Applicants for commercial premises keno licenses shall be submitted at least 30 days before the first game date.

V. The applicant shall certify under oath that:

(a) The information provided on the application is accurate.

(b) Neither the applicant nor any employee will operate keno games if such person has been convicted of a felony within the previous 10 years which has not been annulled by a court, or a misdemeanor involving falsehood or dishonesty within the previous 5 years which has not been annulled by a court, or has violated the statutes or rules governing charitable gaming in this or any state.

(c) The applicant and any employee who will be participating in the operation of the keno games is aware of all statutes and rules applicable to the operation of keno games.

VI. To be eligible for licensure under this subdivision an applicant shall:

(a) Document that it is one of the following:

(1) A restaurant or hotel holding a valid liquor license under RSA 178:20, II, RSA 178:21, II(a) or (b), or RSA 178:22, V(q).

(2) A brew pub holding a valid liquor license under RSA 178:13.

(3) A ballroom holding a valid liquor license under RSA 178:22, V(c).

(4) A veterans' club, private club, or social club holding a valid liquor license under RSA 178:22, V(h).

(5) A convention center holding a valid liquor license under RSA 178:22, V(i).

(6) A hotel holding a valid liquor license under RSA 178:22, V(k).

(7) A racetrack holding a valid liquor license under RSA 178:22, V(n).

(8) A sports recreation facility holding a valid liquor license under RSA 178:22, V(v).

(b) Document that the keno games will only be operated in towns and cities that have voted to allow the operation of keno games pursuant to RSA 284:51.

(c) Maintain a current list of employees.

(d) Document that no minor under the age of 18 shall be allowed to purchase or redeem a keno ticket.

VII. Any suspension or revocation of a liquor license shall result in the immediate suspension of the keno license issued under this chapter.

284:46 License; Issuance.

I. Upon receipt of an application under RSA 284:45 the lottery commission shall review the application and shall, in writing, grant or deny the application within 45 days of receipt.

II. The lottery commission shall deny a license application for any one of the following reasons:

(a) The license of the applicant has been previously revoked by the commission.

(b) The applicant has been convicted of a crime provided for in this chapter or in any other chapter for any gaming offense.

(c) The applicant loses his or her liquor license after submitting the application.

III. No person who has been convicted of a felony or class A misdemeanor within the

previous 10 years which has not been annulled by a court, or a class B misdemeanor within the past 5 years which has not been annulled by a court, or who has violated any of the statutes or rules governing charitable gambling in the past in this or in any other state shall be licensed under this subdivision, or rent, lease, sublease, or otherwise provide any hall or keno paraphernalia for the conduct of keno licensed under this subdivision.

IV. The lottery commission shall only issue a license for an eligible location where keno tickets shall be sold and the game played within the area apportioned to distribute beverages pursuant to RSA 284:45. The lottery commission shall control the installation of the keno ticket terminals and ensure that the sale of the tickets is limited to the area apportioned to distribute beverages pursuant to RSA 284:45.

284:47 Operation of Keno Games.

I. A licensee may operate keno games at its business between the hours of 11 a.m. and 11 p.m.

II. A licensee may retain 8 percent of the proceeds from keno games. Of the remaining 92 percent:

(a) One percent shall be paid to the department of health and human services to support research, prevention, intervention, and treatment services for problem gamblers.

(b) The remainder, less the administrative costs of the lottery commission and prize payouts, shall be deposited in the education trust fund established under RSA 198:39.

III. No person who has been convicted of a felony or class A misdemeanor within the previous 10 years which has not been annulled by a court, or a class B misdemeanor within the past 5 years which has not been annulled by a court, or who has violated any of the statutes or rules governing charitable gambling in the past in this or any other state shall operate a keno game licensed under this subdivision, or rent, lease, sublease, or otherwise provide any hall or keno paraphernalia for the conduct of keno licensed under this subdivision.

IV. No one under the age of 18 years shall be allowed to purchase or redeem a keno ticket.

284:48 Financial Reports and Inspection Required.

I. Any person which has been licensed to conduct keno games shall submit a complete financial report to the lottery commission for each license issued under RSA 284:46 within 15 days after the expiration of each license, provided, however, a complete monthly financial report shall be submitted in a timely fashion to the commission for each month covered by a license issued under RSA 284:46 on a form to be approved by the lottery commission.

II. All licensees shall maintain a separate checking account for the deposit and disbursement of all income relating to keno, except cash prizes awarded at the games. All expenses shall be paid by check, and all prizes of $500 or more shall be paid by check. No keno funds shall be commingled with other funds of the licensee. The licensee shall retain all canceled checks for the payment of expenses and prizes for at least 2 years from the date of the check. The licensee shall not cash checks which it issues.

III. All financial reports filed by the licensee shall be maintained by the lottery commission for a period of one year from the date of filing and shall be open to public inspection.

IV. All financial records pertaining to the operation of keno games shall be maintained by the licensee and shall be made available to representatives of the lottery commission or of the commissioner of the department of safety upon request.

V. A licensee which has been licensed to conduct keno games shall maintain complete and accurate documentation of all revenues and expenses contained in the financial reports for at least 2 years from the date the financial report is filed.

284:49 Suspension; Revocation. The commission may suspend or revoke the license of any licensee who violates any provision of this subdivision. Any licensee whose license is revoked shall not be eligible for licensure for a period of up to one year from the date of revocation.

284:50 Rehearing and Appeal. Any person aggrieved by a decision of the commission to deny or revoke a keno license may apply to the commission for a rehearing within 15 business days of the decision. Rehearings and appeals shall be governed by RSA 541.

284:51 Local Option.

I. Any town or city may allow the operation of keno games according to the provisions of this subdivision, in the following manner:

(a) In a town, the question shall be placed on the warrant of an annual town meeting under the procedures set out in RSA 39:3, and shall be voted on a ballot. In a city, the legislative body may vote to place the question on the official ballot for any regular municipal election, or, in the alternative, shall place the question on the official ballot for any regular municipal election upon submission to the legislative body of a petition signed by 5 percent of the registered voters.

(b) The selectmen, aldermen, or city council shall hold a public hearing on the question at least 15 days but not more than 30 days before the question is to be voted on. Notice of the hearing shall be posted in at least 2 public places in the municipality and published in a newspaper of general circulation at least 7 days before the hearing.

(c) The wording of the question shall be substantially as follows: "Shall we allow the operation of keno games within the town or city?"

II. If a majority of those voting on the question vote "Yes," keno games may be operated within the town or city.

III. If the question is not approved, the question may later be voted upon according to the provisions of paragraph I at the next annual town meeting or regular municipal election.

IV. A municipality that has voted to allow the operation of keno games may consider rescinding its action in the manner described in paragraph I of this section.

V. The lottery commission shall maintain a list of municipalities where keno is available.

2 Application of Receipts; Education Trust Fund. Amend RSA 6:12, I(b)(65) to read as follows:

(65) Money received under RSA 77-A, RSA 77-E, RSA 78, RSA 78-A, RSA 78-B, RSA 83-F, ***RSA 284:44, RSA 284:47,*** and from the sweepstakes fund, which shall be credited to the

education trust fund under RSA 198:39.

3 Education Trust Fund Creation and Investments; Keno Profits Added. Amend RSA 198:39, I(k) to read as follows:

(k) Funds collected and paid over to the state treasurer by the lottery commission pursuant to RSA 284:47, relative to keno profits.

(l) Any other moneys appropriated from the general fund.

4 Effective Date. This act shall take effect July 1, 2017.

LBAO
17-0526
Amended 3/13/17

HB 560-FN-A-LOCAL- FISCAL NOTE
AS AMENDED BY THE HOUSE (AMENDMENT #2017-0481h)

AN ACT establishing keno.

FISCAL IMPACT: [X] State [ ] County [ ] Local [ ] None

	Estimated Increase / (Decrease)			
STATE:	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**
Appropriation	$0	$0	$0	$0
Revenue	$0	Indeterminable Increase	Indeterminable Increase	Indeterminable Increase
Expenditures	$0	Indeterminable Increase	Indeterminable Increase	Indeterminable Increase
Funding Source:	[X] General [ ] Education [ ] Highway [X] Other - Lottery Fund and Restricted Revenue to DHHS			

LOCAL:

Revenue	$0	$0	$0	$0
Expenditures	Indeterminable Increase	Indeterminable Increase	Indeterminable Increase	Indeterminable Increase

METHODOLOGY:

This bill allows for the operation and playing of keno games in New Hampshire, subject to local approval. Under the bill, the Commission would be responsible for administration and enforcement of the game and revenue would be distributed as follows:

- 8% of keno proceeds to licensee
- 92% of keno proceeds to state
    - 1% of remainder to the Department of Health and Human Services to support research, prevention, intervention, and treatment services for problem gamblers;
    - Remainder, less administrative costs of the Lottery Commission and prize payouts, to the state education trust fund
- $500 annual license fee to state, net revenue to the state education trust fund

Based on the following assumptions, the estimated fiscal impact for this bill in FY 2019 and each year thereafter is summarized in the table below:

- Bill is effective January 1, 2018, with locations operating beginning July 1, 2018,
- 250 licensed locations statewide, renewed annually,
- Each licensed location would generate an average of $175,000 per year,

- Prize structure set at 70% of gross sales, and
- Lottery administrative costs, including payments to gaming system provider, would be 2% of total keno proceeds.

Total Keno Sales (250 x $175,000)	$43,750,000
Retained by Licensee (8% of Proceeds from Keno Sales)	$3,500,000
Amount to the State (92% of Proceeds from Keno Sales)	$40,250,000
Less: Dept. of Health and Human Services (1% of State Amount)	($402,500)
Less: Lottery Commission Administrative Costs (2% of Sales)	($875,000)
Less: Prize Payouts	($30,625,000)
Net Education Trust Fund Revenue From Sales	*$8,347,500*
License Revenue (250 x $500)	$125,000
Net Revenue to Education Trust Fund	**$8,472,500**

The Lottery Commission has not provided estimates of this bill's impact, if any, on lottery, racing, or charitable gaming revenue.

Expenditures made by the Department of Health and Human Services will be dependent on the amount of revenue paid to support research, prevention, intervention, and treatment services for problem gamblers. Based on available funding, the Department has indicated expenditures could include, but not be limited to, two new full-time positions to focus on gambling prevention and treatment initiatives and establishing a statewide gambling addition program.

This bill establishes a procedure for municipal approval as a condition to the operation of keno games and allows for such approval by the voters at a regular municipal election in a city or at a regular or special town. To the extent a municipality wishes to make a consideration, the governing body would be required to hold a hearing before the meeting or election at which the question is considered, with notice of the meeting to be posted in two public places. This may increase local expenses relative to holding a hearing and publishing the notice.

The Liquor Commission indicates this bill should have no impact on the Commission's operations or revenue. Any review of licensees required by the Commission can be managed within the Commission's current scope of work.

AGENCIES CONTACTED:

Lottery Commission, Department of Health and Human Services, New Hampshire Municipal Association, and Liquor Commission