

Filed 9-13-76

M I N U T E S

LEGISLATIVE BINGO INVESTIGATION STUDY COMMITTEE

June 25, 1976

Members Present

Representative John F. Hayes, Chairman
Senator Bob Storey, Vice-Chairman
Senator John Crofoot
Representative Carlos Cooper
Representative Ben Foster
Representative Pat Hurley

Staff Present

Bob Coldsnow, Legislative Counsel
Sherman Parks, Jr., Revisor of Statutes Office
Emalene Correll, Legislative Research Department

The Chairman called the meeting to order at 10:00 a.m. in Room 519, State House.

The Chairman noted that the scope of the study assigned to the Committee includes looking into bingo activity in the state, especially in Wyandotte and Sedgwick counties. The Committee is to make any recommendations or to propose any amendments to the existing law that it believes necessary as a result of its study.

The Chairman advised the Committee that both Attorney General Schneider and Secretary Kalb had written to him expressing their willingness to cooperate in the Committee study.

Following comments by members of the Committee, Secretary Kent Kalb was asked to present information. Secretary Kalb introduced Ben Neill, Bob Olsen, and Don Pound from the Department of Revenue. He then presented a prepared statement which is appended to the minutes as Attachment No. 1.

Following his prepared statement, Secretary Kalb responded to questions from the Committee.

Asked if the Department of Revenue had made a survey of how the money derived from bingo is being spent by licensees, Secretary Kalb responded that they had not. He noted that consideration had been given to requiring documentation about the source and application of funds on the license renewal form. However, on submission of the proposed form to the Attorney General he indicated that while it was within the Secretary's authority to require such information, it was not proper subject matter for inclusion in the license renewal application.

In response to a question, Mr. Kalb indicated that the Department has a breakdown of revenue by city, county and state. A copy of the print-out will be sent to the Committee staff.

Secretary Kalb was asked if additional authority to suspend licenses, similar to the authority given to the ABC, would be of assistance in enforcing the bingo laws. The Secretary indicated that such authority would be a welcome addition to the statutes. He further noted that licensees are becoming aware that the Department has not been revoking licenses.

A Committee member asked Secretary Kalb if the state is receiving a fair share of bingo revenues. He declined to express an opinion on the question, but indicated that the state is receiving a substantial amount. The \$25.00 license fee does not cover the administration of the act. Mr. Kalb indicated that his response to the question about the state's share would depend on where the major responsibility for enforcement of the bingo laws is to lie. If the Department of Revenue is to undertake a substantial effort to police bingo; then it is possible that the state should receive more funds.

In response to further questions, Mr. Kalb indicated that there have been complaints about organizations which are primarily in the business of soliciting and leasing for bingo games. He noted that this situation existed primarily in Wyandotte and Sedgwick counties. Mr. Kalb also stated that the Department had not done any extensive audit of bingo licensees. He suggested that if someone is skimming, this will not be found by auditing the records.

There was discussion of the bingo laws of other states. Mr. Pound noted that Michigan and several other states have extensive control of bingo supplies and equipment. They approve machines to insure that they are working properly and they license the purchaser. Secretary Kalb observed that inspection of all machines would increase the cost of enforcement. He further observed that the Department had looked at the laws and regulations of other states but found that the basic statutes were so different that they were of little assistance.

The Secretary was asked if, after a year's experience with the bingo statutes, he believes that enforcement can be adequately carried out through rules and regulations promulgated by the Department or whether changes in the statutes are needed. The Secretary replied that he believes minor changes are needed in the statutes. He suggested the need for penalties applicable to the landlord rather than the tenant and the desirability of being able to suspend licenses. He indicated that he would prefer to wait to present other recommendations. He also noted that he believes the current problems with bingo are limited and primarily confined to Wyandotte and Sedgwick counties. He suggested that it would be easy to overreact in proposing remedies.

Secretary Kalb was asked if, to the best of his knowledge, it was true that no criminal charges have been brought in connection with bingo licenses. He responded that he knew of extensive investigations but was not aware that any investigations had reached the stage of prosecution. He was also asked if any "familiar" names had been found associated with bingo licenses. He responded in the affirmative. In pursuing the question, it was noted that some names connected with bingo licenses are associated with liquor license violations, etc. The Secretary said that the Department had not established any interconnection between bingo operations in Kansas City and Wichita. He did note, however, that investigating the corporate structure of some of the organizations was very complicated.

The Secretary was asked if the Department had sufficient authority to investigate bingo funds. He said that the authority was sufficient. He was also asked if the Department could establish "reasonable rent" for a building leased for bingo. Secretary Kalb responded that a reasonable rent would depend on the building, the location, whether bingo equipment is furnished, and other rental prices in the area. Leases are now on file with the Department of Revenue.

No additional questions being directed to Secretary Kalb, the Chairman asked Mr. Hoffman to make a presentation on behalf of Attorney General Curt Schneider. Mr. Hoffman stated that he had defended the case in which the courts had ruled on certain aspects of the bingo law. (218 Kan. 459). He said that since several district attorneys would be appearing before the Committee, he would not advise the members of the problems local prosecutors were having with the bingo laws. He did state that the Attorney General's office had not had many complaints, but has had inquiries which they have followed up. To date, the K.B.I. has not established a great deal of information of a derogatory nature in respect to bingo.

Mr. Hoffman stated his belief that, although there might be some debate about some issues in the lawsuit, the real message in the case is that the Secretary of Revenue, under our bingo laws, exercises a wide and plenary degree of regulatory authority over the operation of bingo in Kansas. He expressed the opinion that the court went to some length to establish the point that the entire subject matter of bingo is subject to the Secretary's regulations.

Mr. Hoffman stated that the Attorney General's office had not disagreed with any of the revenue rulings issued by the Secretary of Revenue. They do, however, believe that the Secretary must promulgate formal rules and regulations following the procedure established by the Legislature rather than relying on the rulings. Rules and regulations are necessary in order that local law enforcement officials and prosecutors know what the law is. At this point, officials are confronted with the somewhat indefinite provisions of the bingo law and a series of revenue rulings which do not have the force and effect of law.

Mr. Hoffman then presented the recommendations for changes in the bingo law, (See Attachment 2.)

In response to a question, Mr. Hoffman stated that no prosecutions had been instituted by his office since bingo was approved. Asked if, in his opinion, the present bingo law is unenforceable, Mr. Hoffman noted that there are a number of unanswered questions which must be answered through amendments to the law or valid rules and regulations. He expressed the opinion that violations of rules and regulations would be more prosecutable than the law as it stands because local officials are undecided about what is a violation and what is not.

After discussion of the revenues involved in bingo, Mr. Hoffman stated that, to date, the enforcement division (K.B.I.) has not disclosed a prosecutable offense to the Attorney General's office. He stated that the intelligence division is working in this area but has not turned up anything his office could prosecute or refer to a local prosecutor.

On being questioned about the type of persons associated with bingo, Mr. Hoffman stated that some have been prosecuted by local prosecutors and city officials and are widely known by local, federal and state law enforcement officials. Asked if these people had criminal records, Mr. Hoffman said that they are known to associate with people who have at least one criminal conviction. After discussion, it was noted that the several agencies involved have information which leads them to believe that some disreputable people are involved in the operation of bingo.

Following Mr. Hoffman's presentation, the Chairman called upon Nick Tomasic, District Attorney of Wyandotte County. Mr. Tomasic provided a summary of his testimony to the Committee following the meeting. A copy of the summary is attached to the minutes as Attachment 3.

Asked if he had prosecuted any cases, Mr. Tomasic stated that the bingo law, as he looks at it, is not enforceable at this time. He raised questions about who should be prosecuted -- the president of the organization or the member calling numbers? Mr. Tomasic also noted that they had a number of complaints from legitimate operators. They cannot compete with those who give door prizes -- trips to L.A., fur coats, etc., whether awarded or not, draw people to the games.

Asked if the investigations now being conducted in Kansas City are geared toward other criminal statutes rather than the bingo statutes, Mr. Tomasic replied that they are. He noted that technically some of the actions may be theft but that it will be difficult to prove. He suggested that they may end up with misdemeanor charges. He indicated that the investigations might also result in a conspiracy charge.

Following adjournment for lunch, the Chairman called on Keith Sanborn, District Attorney, Sedgwick County. Mr. Sanborn presented a prepared statement which appears as Attachment 4. Mr. Sanborn's recommendations are included in Attachment 4.

Mr. Sanborn stated that when they learned that "bingo parlors" were beginning, they believed that such operations were clearly a violation of the statutes. However, it was learned that certain persons were soliciting charitable organizations in the community to play in their centers: such persons were offering to provide the know-how and the equipment. Since December, five parlors have sprung up. Mr. Sanborn said that the operations were similar to those described by Mr. Tomasic.

Mr. Sanborn read excerpts from Gambling and Organized Crime. (See Attachment No. 5.)

In response to questions from the Committee, Mr. Sanborn stated that no prosecutions had been filed in Sedgwick County. He indicated that there are violations which are being worked on by his office. He responded to a question about cooperation from the Attorney General's office by noting that they had, in the past, had differences about interpretation of the bingo law but that he believed that the people he had talked with in the Attorney General's office are acting in good faith.

Captain William Dotts of the Wichita Police Department was the next conferee to appear. Captain Dotts submitted a letter from the Interim Chief of Police which is included as Attachment No. 6.

Captain Dotts stated that he had received numerous telephone calls from licensed organizations stating that the "bingo parlors" are making it impossible for them to compete because of the prizes, locations, concessions, etc.

In response to a question, Captain Dotts indicated that in tracing through corporations it is believed that one individual is connected with several "parlors" in Wichita. In response to a request from the Chairman, Captain Dotts agreed to supply the name of the individual to the Legislative Counsel.

Maurice Corcoran, Managing Director of the Wichita Crime Commission, told the Committee that he believes that attention is due to the problems arising from the legalizing of bingo. He then responded to questions.

Fred Howard, II, Chief of the Topeka Police Department, stated that after receiving a communication from the Committee, he had a member of the vice-squad survey and examine bingo operations in Shawnee County. A copy of the report submitted is included as Attachment No. 7.

Chief Howard stated that the bingo operations in Topeka were considered to be quite clean. Two concerns were reported. One involved an incident which bordered on a lottery in which the winner received a key. If the key opened the treasure chest, the prize was won. If it did not, the winner won a consolation prize. In another game in which the vice officer participated, a deck of cards was used.

Chief Howard suggested that they do have a problem in knowing who is to enforce the law. If local law enforcement officials are to help enforce the act, they need rules and regulations for guidance. He indicated that they would also like to be notified of licenses that are issued or revoked.

The Chairman stated that a copy of a letter from Eugene Olander, District Attorney of Shawnee County, had been distributed to the Committee. Mr. Olander indicated that he had no complaints from Shawnee County.

The Chairman suggested that, on the basis of the statements made, the Committee consider requesting the Coordinating Council to authorize meetings in Kansas City and Wichita.

A motion was made and seconded that the Committee go into executive session to reconvene in public meeting at 3:45 p.m.

The motion was unanimously approved.

At 3:45 p.m. the Committee went into open session pursuant to a motion which was seconded and unanimously approved. At this time, the Chairman announced that the Legislative Bingo Investigation Study Committee would be holding an investigative meeting in Kansas City, Kansas, on July 19 and 20.

The following motion was made and seconded:

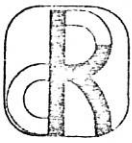
"I move that Representative John F. Hayes, Chairman of the Legislative Bingo Investigation Study Committee, be and he is hereby authorized to sign and issue subpoenas and subpoenas duces tecum on behalf of this committee for such persons as said chairman may determine and direct to appear before the Legislative Bingo Investigation Study Committee; further, that any such subpoenas duces tecum be served by any sheriff, any member of the Kansas Highway Patrol, any agent of the Kansas Bureau of Investigation, the Legislative Counsel or any process server of the Office of Attorney General as said chairman may determine."

The motion was unanimously approved by the Committee.

Prepared by Emalene Correll

Approved by Committee on:

9/9/76
(Date)



Kansas
DEPARTMENT OF REVENUE

State Office Building
TOPEKA, KANSAS 66625

June 25, 1976

Representative John F. Hayes, Chairman
Legislative Bingo Investigation Study Committee
State Capitol Building
Topeka, Kansas 66612

Dear Representative Hayes:

Over the past fourteen months, the Department of Revenue has been attempting to properly discharge its duty and responsibility to administer and enforce the provisions of the Bingo Act. The estimated cost for basic administration of the Bingo Act for fiscal year 1975, excluding those amounts expended by the Department's Field Services Bureau and Alcoholic Beverage Control Division for investigation, was \$28,577.54 which is substantiated in Appendix "A" and "B" to this report.

The Department did not receive a budget increase to offset the above noted expenditures. Thusly, the Department was unable to hire the additional personnel necessary to carry out the administration of the Bingo Act. To cope with this situation and to comply with the statutory obligation, the administration of bingo was added to the already full work load of Department personnel. This meant that regular duties were temporarily shelved whenever a Department employee handled a bingo administration matter. There was no opportunity to expend the time necessary to discover and resolve problems before they arose, and bingo administration became a crisis to crisis administration.

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I have prepared for the Committee some bingo statistics to aid you in your deliberations. To date the Department has issued 850 bingo licenses for 1975/76 and has collected \$21,250.00 in license fees, all of which has been deposited in the state general fund. For the period June, 1975, to May, 1976, 8,244 bingo tax returns were filed with the Department showing \$12,807,635.00 in gross receipts, remitting \$256,424.68 in bingo enforcement tax, which was paid to the county or city in which the game was played, and remitting approximately \$384,230.00 in Kansas Retailers' Sales Tax.

These figures establish that bingo is in fact a big business. In addition, it is a growing business. In May, 1975, \$645,900.00 in gross receipts were reported to the Department, and in May of this year \$1,716,200.00 in gross receipts were reported. In regards to taxes collected, that amounts to \$12,918.00 in bingo enforcement tax collected in May of 1975 and \$34,324.00 collected in May of 1976 and to approximately \$19,377.00 in Kansas Retailers' Sales Tax receipts for May, 1975, and approximately \$51,486.00 collected in May, 1976. This represents an increase of approximately 165% and is reflective of the growth potential of bingo.

In the Department's administration of the Bingo Act, numerous problems have arisen. I have broken these problems into four (4) basic problem areas. They are: Prizes; Operation of the Game; the Licensee; and Department of Revenue's Authority.

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PRIZES

1. Can the prize awarded for a game of bingo be a chance in yet another game of chance?

An example is when the winner of a game of bingo receives as his prize a chance to win one of three (3) prizes. The three (3) prizes are locked in three (3) boxes, and the winner chooses from among three (3) keys with the prize being determined by the box the key selected opens.

Both the Department and the Attorney General have expressed the opinion that such activities are not permissible or protected by the Bingo Act.

2. Can door prizes be awarded at bingo games by means of a drawing or some other game of chance, and if so, must such prizes be included in computing the aggregate prize limitation?

The crux of this question is, does the aggregate prize limitation encompass all prizes given in conjunction with games of bingo or only prizes given to winners of games of bingo, and does "to winners of games of bingo" mean prizes given for winning a game of bingo or does it mean a prize given to anyone who has won a game of bingo in that day? There is no consideration on the part of the participants as anyone present is eligible and as there is no requirement that one must play bingo to participate. The Department has ruled in Revenue Ruling 23-76-1 that door prizes can be awarded but that they must be included in the aggregate prize limitation.

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3. Should the names of all winners be recorded with address and social security number?

Under the Internal Revenue Code and Kansas Income Tax Act, a licensee is required to furnish prize winners with a statement of winnings and file an annual report of winnings with the Internal Revenue Service and the Department of Revenue whenever a prize winner's accumulative total reaches \$600.00 or more in a calendar year. The Department has not taken a position regarding what prize amount must be recorded but has left that to the discretion of each individual licensee. The problem with setting an amount is that if a person wins a \$500.00 special game and four (4) smaller games of \$25.00 each in a year then the licensee would be required to file the Internal Revenue Service and state tax reports.

4. Who should receive the prize or how should the prize be divided if there are multiple winners?

A common complaint is that there are too many multiple winners, or that when several win, a chosen person receives the prize. The Department is of the position that each winner should receive the same prize. This means that the winners must split the announced prize or that each winner must receive the announced prize.

OPERATION OF THE GAME

1. Can a licensee determine the number of numbers that will be called to win the large prize in a jackpot or special game by means of some game of chance like a wheel of fortune, cutting of a deck of cards, or drawing a number from a hat?

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Such ploys generally increase the odds in favor of the house. Most blackout games require a blackout within fifty (50) numbers for the big prize. With seventy-five (75) total numbers, the house has a sixty-six percent (66%) chance of equaling or bettering its normal odds with the use of a game of chance to select the numbers within which the blackout must be made, while the player has only a thirty-three percent (33%) chance of bettering his position. The Department has ruled that such ploys are not in violation of the Bingo Act.

2. Can a licensee hire someone to advise and provide the licensee with advertising, security, janitors, concessions, nurseries, etc., and pay them from bingo proceeds; or does such constitute remuneration for the management or operation of the game?

The Department has ruled that bingo proceeds cannot be so used, but that an organization could use the concession proceeds or other proceeds provided bingo proceeds are not used to free-up such other funds.

3. Can a landlord or one with a property interest in the leased property participate in the management or operation of games of bingo?

The Department has ruled in Revenue Ruling 23-76-1 that no person with a property interest in a leased premises nor their employees may participate in the operation or management of bingo.

4. Can a club manager, cocktail waitress, bartender or other licensee employee who is receiving a salary for other activities participate in the operation or management of bingo when such employee is also a bona fide member of the licensed organization?

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The Department has stated that such participation cannot be a condition of employment, and they cannot be receiving a salary or wage for the time spent in participating in the management or operation.

5. Can more than one licensee play games of bingo at a given location on a given day, or can only twenty-five (25) games be played at a given location on a given day?

The Department in Revenue Ruling 23-76-1 has said that only twenty-five (25) games can be played at a given location and that only one (1) licensee can play at a location on any calendar day.

6. Can a single location be used for the purpose of playing bingo seven (7) days a week?

The Department has ruled that the statute does not prohibit such usage.

7. Can a licensee contingently announce a game based upon the number of players?

In Revenue Ruling 23-76-1, the Department has ruled that no licensee can advertise or refuse to play a game based upon a contingency such as the number of players present and playing at a given game.

8. What type of records must be kept? Is it enough to show gross receipts for a given night or must the licensee produce more specific data such as number of players?

The Department presently only requires records of gross receipts, taxes, prizes and other expenses.

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9. Is a game which falls outside the scope of the Bingo Act protected from the gambling penalties found elsewhere in Kansas law?

The Department has taken no position on this point.

10. Can a licensee require a player to buy more than one card to play games of bingo?

In such cases the licensee requires each player to buy three (3) cards in order to play a game of bingo. The Department has ruled that a licensee cannot require a player to purchase two or more cards in order to play games of bingo.

11. How can the equipment be regulated to insure adequate random selection?

The Department has no control over equipment or equipment suppliers. Therefore, the only possibility is regulating the licensee. It has been suggested that those using machines be required to mix the numbers for at least a certain period of time and that a machine be regularly inspected. In manual operations it has been suggested that different players mix the numbered objects before each game.

THE LICENSEE

1. What is a religious organization?

One can obtain a charter from an Internal Revenue Service exempted religious organization for \$25.00, and to prove such organizations are bogus is very difficult, at best. It is presently sufficient to show

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the Internal Revenue Service exemption and the national charter to obtain a bingo license.

2. What are bona fide chapters to nationally chartered fraternal organizations?

There are many small national fraternal organizations which prior to 1975 had few or no local chapters in Kansas and which have since chartered numerous chapters in the State of Kansas. Presently, such organizations must submit their national charter, local charter and Internal Revenue Service exemption to obtain a bingo license.

3. Are there any limitations on the same individual setting up three (3) or more organizations and running games of bingo seven (7) days a week?

Presently, the Department can only check those operations if they lose their charters or misapply their proceeds. The Department has been very wary in this area as without caution bona fide organizations and their lawful auxiliaries would be affected.

4. What does lawful purpose mean? Are such purposes those for which the licensee is chartered or those for which the licensee is authorized to conduct bingo games?

The Department has taken the position that the lawful purposes of a licensee are those purposes listed in the Bingo Act. The lawful purposes in the Bingo Act are:

- a. "Religious organization": The mutual support and edification in piety, worship and religious observances;

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- b. "Charitable organization": The relief of poverty, distress, or other condition of public concern;
- c. "Fraternal organization": The common benefit, brotherhood, or other interest of its members when organized and operated to engage in a fraternal, civic or service purpose;
- d. "Educational organization": The support of the public or private elementary or secondary school or institution of higher education; and
- e. "Veterans' organization": The support of a branch, lodge, or chapter of a national or state organization whose membership consists exclusively of individuals who qualify for membership because they were or are members of the United States armed services or forces.

5. Where can gross receipts be expended?

Some of the areas of controversy are rent, security, nursery, janitors, lodge homes, church buildings, golf greens, advertising and equipment rentals. The Department has attempted to address most of these areas but many involve what is a lawful purpose of a licensee. As such, a clear definition is not possible.

6. How often can a licensee apply for a change of address, and how does this affect the provision in K.S.A. 1975 Supp. 79-4703, limiting off-premises games to five (5) in a given year?

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The Department is presently limiting the request for change of address to written requests for good and valid reasons.

7. What constitutes continuous existence for five (5) years? Must the applicant be chartered five (5) years or in the case of nonprofit organizations merely operating as such for five (5) years?

The Department has taken the position that continuous existence means in operation and not charter which means a factual determination.

8. If an organization changes its name, must it obtain a new license?

Presently, the Department requires such licensees to obtain a new license and surrender the old license as the change of name technically means of new entity.

9. Must the licensee maintain a separate account for bingo proceeds?

Presently, licensees are not required to keep separate accounts. Such would ease the regulation of expenditures from bingo proceeds. The Department has not initiated this policy as it would be burdensome if bingo proceeds can be spent for any lawful purpose for which the licensee was chartered.

DEPARTMENT OF REVENUE'S AUTHORITY

1. Are concession receipts and other receipts received from activities conducted in connection with bingo games to be considered a part of the gross receipts received for bingo and subject to the bingo enforcement tax?

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The Department has said that such receipts are not includable in bingo enforcement tax, but several other states do tax such receipts as they are received as a result of bingo games.

2. Can the Director of Taxation require the reporting of gross receipts of a licensee from all sources as well as bingo receipts?

The Department feels that the Director has such authority and that such information is necessary to properly audit and regulate the expenditure of bingo proceeds.

3. What sanctions face a licensee for violating the Bingo Act?

Presently, the Secretary of Revenue can only revoke a licensee's license for six (6) months. This is a severe sanction for a minor violation. Therefore, the Department has never revoked a licensee provided the licensee ceases violation of the Act. The result has been a general feeling among licensees that they can stretch the Act wherever they desire as they will only have to cease and desist if and when it is determined to be improper.

4. What control does the Secretary of Revenue have over the person who induces a licensee to operate outside the Bingo Act?

The Department has no authority over the lessor, organizer, equipment supplier or other person who entices a licensee, with the lucrative offer of bingo proceeds for little or no work, to violate the Bingo Act. The only option is the revocation of the licensee's license.

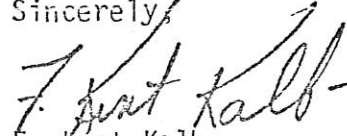
Representative John F. Hayes

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This has been a quick sketch of a number of the many problems which have evolved from bingo. I hope this information is of assistance, and I offer to your Committee the full assistance and cooperation of the Department of Revenue in resolving the bingo controversy.

Sincerely,

A handwritten signature in cursive script that reads "F. Kent Kalb". The signature is written in dark ink and is positioned above the typed name.

F. Kent Kalb
Secretary of Revenue

FKK:RA0:v1s

Att.

COST SUMMARY

Including an estimate of costs except
those expended for enforcement by Field Services Bureau
and Alcoholic Beverage Control Division of the
Kansas Department of Revenue

Materials (Paper Forms, Etc.) -----	\$ 961.24
Personnel (Salaries and Benefits) -----	19,518.28
Postage and Tele-Communications -----	2,082.50
Equipment -----	731.52
Initial Computer Setup -----	<u>5,284.00</u>
TOTAL COST	\$28,577.54

SUBSTANTIATING DATAMaterials

Window Envelopes -----	\$ 83.50
Application File Folders -----	153.00
Manila Envelopes -----	8.50
Licenses -----	150.00
Internal Computer Data Change Forms -----	5.00
Enforcement Tax Returns -----	160.00
Instructional Notices -----	50.00
Miscellaneous Supplies -----	351.24

Sub Total \$ 961.24

Personnel (Salaries and Benefits)

Attorney (10%) -----	\$ 1,200.00
Revenue Administrator -----	8,000.00
One Clerk Typist II (25%) -----	1,617.00
One Accounting Clerk I (15%) -----	1,058.00
Two Clerk II's (4 hrs. per mo.) -----	145.00
One Clerk II (1 mo.) -----	517.00
One Clerk III (1%) -----	84.00
One Data Entry Equipment Operator (2 mo.) -----	1,078.00
One Clerk IV, Administrative Officer II and Administrative Officer III (20 hrs. ea. per yr.) ----	400.00
Benefits (13% of gross) -----	2,245.47
Setup and Control Costs for Computer -----	932.16
Entry Costs for Computer Control -----	1,231.65
Program Support -----	1,010.00

Sub Total \$19,518.28

Postage and Tele-Communication

Applications, Regulations and Instructions -----	\$ 221.00
Licenses -----	331.50
Monthly Returns -----	1,326.00
Miscellaneous Letters and Delinquency Notices -----	104.00
In-State Calls -----	100.00

Sub Total \$ 2,082.50

Equipment

One Electric Typewriter (3 mo.) -----	\$ 90.00
Computer -----	641.52

Sub Total \$ 731.52

Initial Computer Setup----- \$ 5,284.00

Sub Total \$ 5,284.00

TOTAL \$28,577.54

N O T I C E

TO: All Organizations Licensed To Conduct Bingo Games

FROM: F. Kent Kalb, Secretary of Revenue

SUBJECT: Lease or Rental Agreements

DATE: May 12, 1976

It is impossible for many licensed organizations to operate games of bingo on their own premises as such facilities are inadequate. Therefore, these organizations must rent or lease a facility.

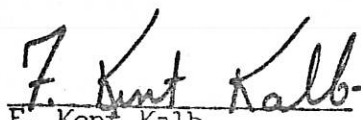
The Kansas Bingo Act in K.S.A. 1975 Supp. 79-4706(c) provides that:

"No person may receive any remuneration or profit for participating in the management or operation of the game (of bingo);"

It is the position of the Kansas Department of Revenue that a lease agreement entered into by an organization licensed to conduct games of bingo may constitute remuneration for the management or operation of bingo.

The Kansas Department of Revenue has found that many of the lease agreements presently in existence appear to fall within the prohibited category of remuneration for management or operation of games of bingo. Therefore, all licensees leasing a facility to conduct games of bingo must forward a copy of such lease agreement to the Kansas Department of Revenue within ten (10) days from the date of this letter. All verbal lease agreements must be reduced to writing and submitted in the same manner as all other written lease agreements. Noncompliance with this requirement may result in the revocation of your license.

Leases should be sent to the Kansas Department of Revenue, P.O. Box 692, Topeka, Kansas 66601. Your cooperation is greatly appreciated.


F. Kent Kalb
Secretary of Revenue



STATE OF KANSAS

Office of the Attorney General

1st Floor, State Capitol Bldg. (913) 296-2215 Topeka, Kansas 66612

Curt T. Schneider
Attorney General

May 25, 1976

Mr. F. Kent Kalb
Secretary of Revenue
Kansas Department of Revenue
State Office Building
Topeka, Kansas 66612

Dear Secretary Kalb:

We have reviewed Revenue Ruling #23-76-1 relating to your agency's interpretation of K.S.A. Supp. 79-4701 et seq. You request that we review the Ruling and issue our opinion of its legal correctness. You indicate no other question for us to consider.

You state that the Revenue Ruling will be issued pursuant to K.S.A. Supp. 79-4709. This statute in our judgment authorizes the promulgation of formal rules and regulations as defined at K.S.A. 77-415(4). A Revenue Ruling is merely an administrative determination issued as guidance to regulated parties and while it is persuasive in construing a statute, it does not carry the weight of law.

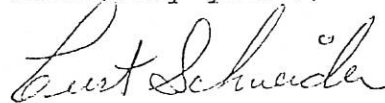
The Bingo Act grants broad regulatory authority to your agency. By electing to state, in a Revenue Ruling, agency policy regarding the construction of the Act's provisions in advance of an actual revocation hearing or formal rules adoption procedure, you have stated a number of opinions regarding legal intent and statutory construction.

We find no appropriate question of law to consider short of a determination that Revenue Ruling #23-76-1 does not appear to be arbitrary, capricious or unreasonable in its development of the points considered.

F. Kent Kalb
Secretary of Revenue
May 25, 1976
Page 2

To critically analyze and pass on each phrase and authority cited in the Ruling would, in our judgment, be inappropriate use of an Attorney General's Opinion and would amount to second guessing the principle state agency charged with the Act's administration. If you have specific questions regarding any subject touched by the Revenue Ruling or regarding any other subject of concern to your agency, we will expedite an appropriate response.

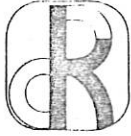
Sincerely yours,



CURT T. SCHNEIDER
Attorney General

CTS:gw

cc: Representative John F. Hayes
330 West 1st
Hutchinson, Kansas 67501



Kansas
DEPARTMENT OF REVENUE

State Office Building
TOPEKA, KANSAS 66625

MAY 18, 1976

RULING 23-76-1

REVENUE RULING

BINGO - NO MORE THAN ONE LICENSEE MAY CONDUCT GAMES OF BINGO AT A GIVEN LOCATION IN A SINGLE CALENDAR DAY; NO LESSOR OF A PREMISES UTILIZED IN THE OPERATION OF GAMES OF BINGO MAY PARTICIPATE IN ANY MANNER IN THE MANAGEMENT OR OPERATION OF GAMES OF BINGO; LICENSEES MUST PROVIDE ALL INFORMATION REGARDING THE MANAGEMENT AND OPERATION OF BINGO GAMES REQUESTED BY THE SECRETARY OF REVENUE AT THE TIME OF APPLICATION AND THEREAFTER, WHENEVER REQUESTED BY THE SECRETARY; ALL ANNOUNCED OR ADVERTISED GAMES MUST BE PLAYED WITHOUT RESERVATIONS OR CONDITIONS AND CONDITIONAL ANNOUNCEMENTS OF GAMES ARE PROHIBITED; AND ALL PRIZES GIVEN IN THE OPERATION AND MANAGEMENT AT A GAME(S) OF BINGO MUST BE INCLUDED IN THE STATUTORY PRIZE LIMITATION.

Since adoption, the Constitution of the State of Kansas has prohibited all lotteries in Article 15, Section 3. This prohibition was modified by the people of Kansas on November 5, 1974, with the adoption of Article 15, Section 3a. Section 3a excludes from the lottery prohibition those games of bingo which are regulated, licensed, taxed and defined by the Legislature of this State. In 1975, the Bingo Act was passed by the Legislature and signed into law by the Governor of the State of Kansas. This Act regulates, licenses, taxes and defines those games of bingo which are exempted from the general prohibition against lotteries made by Article 15, Section 3.

It is recognized that many organizations use bingo to raise funds for worthy civic and charitable purposes, and that bingo is a source of recreation. The Bingo Act is to allow specific organizations to operate and manage bingo games, to provide recreation and to raise revenue while avoiding constitutionally and statutorily prohibited activities.

The Secretary of Revenue is charged with the responsibility of administering the Bingo Act of 1975. To fulfill this responsibility and to further the intent of the Act, the Bingo Act is interpreted to require:

1. That no more than one licensee may conduct bingo games at any single location on any given calendar day;

2. That no owner of a premises leased for the purpose of conducting a bingo game(s) shall, in any manner, participate in the operation or management of any bingo game;
3. That all information requested by the Secretary regarding the operation and management of a bingo game(s) shall be forwarded to the Kansas Department of Revenue;
4. That licensees are prohibited from announcing or advertising contingent bingo games based upon a reservation or condition; and
5. That all prizes given in connection with the operation and management of a bingo game(s) shall be included in the aggregate value of prizes given for that day.

I

The intent of the Bingo Act of 1975 was to limit and regulate the game of bingo, and to vest the Secretary of Revenue with the authority to administer the Act. One of the restrictions imposed by the Legislature on bingo is set forth in K.S.A. 1975 Supp. 79-4706(e):

"The total number of games operated or conducted by any organization in any one day shall not exceed twenty-five (25) and not more than five (5) of such games shall be jackpot or special games;"

The Legislature intended that only a limited number of games should be played at any one time at any one location. Without such limitation on the number of games, organizations could develop solely to operate bingo. Such would be directly contrary to the activities anticipated by the electorate in adopting Article 15, Section 3a. The electorate desired to permit fund raising by designated organizations and not bingo businesses. The intent was to prevent the evolution of bingo into a business while protecting legitimate organizations using the game for lawful fund-raising and recreational purposes.

The above intent is being circumvented by organizations which join together and operate their games consecutively. Therefore, the twenty-five (25) game limitation is avoided when one organization operates twenty-five (25) games and a second organization operates an additional twenty-five (25) games in one calendar day in the same location. To permit such activities would be to render the twenty-five (25) game limitation found in K.S.A. 1975 Supp. 79-4706(e) a nullity.

State of Kansas, ex rel., vs. F. Kent Kalb, Supreme Court Case No. 47,943, stated that "...the legislative intent governs its (the statutes) construction even though the literal meaning of the words used therein is not followed." Citing State, ex rel., vs. The City of Overland Park, 215 Kan. 700, 527 Pac. 2d 1340, and In Re Birdsong, 216 Kan. 297, 532 Pac. 2d 1301. Further on the Court states: "When the interpretation of a section of an act according to the exact and literal import of its words would contravene the manifest purpose of the Legislature, the entire act should be read according to its spirit and reason, disregarding so far as may be necessary the strict letter of the Law." Citing State vs. Sumner, 169 Kan. 516, 219 Pac. 2d 438.

Kansas Statutes Annotated 1975 Supp. 79-4706(e) is subject to the interpretation that two or more licensed organizations may conduct bingo games at one location in the same calendar day. As this would contravene the legislative intent and reason in limiting the number of games in a calendar day to twenty-five (25), the statute is interpreted by the Kansas Department of Revenue as limiting the number of games that can be played at a given location on any calendar day. Regardless of the number of licensed organizations sponsoring, conducting and operating such games, no more than twenty-five (25) games may be played at any one location on any calendar day.

II

Kansas Statutes Annotated 1975 Supp. 79-4706(c) provides that:

"No person may receive any remuneration or profit for participating in the management or operation of the game;"

The intent in adopting this provision was to insure that no person would receive any economic benefit for participating in the management or operation of a bingo game. This intent is being circumvented by some property owners, property management associations, and other persons and entities of a similar nature. Such persons and associations are leasing property to licensed organizations for the conduct of bingo games with the understanding that the lessor will provide assistance to the licensee in the operation of the game. Some lessors, their family members or their employees become members of the licensed organization and manage the entire operation without charge provided the organization leases the lessors building.

Whenever lessors participate, directly or indirectly, in the management or operational decisions regarding bingo, they are receiving remuneration for "...the management or operation of the game." Therefore, pursuant to K.S.A. 1975 Supp. 79-4706(c) no owner, employee of a real estate management association, stockholder in such management association, and no employee, stockholder

or proprietor of any entity performing similar services leasing a premises for the purposes of conducting bingo shall participate, in any manner, in the operation or management of any game of bingo. The above prohibition includes all immediate family members of persons possessing an ownership interest in the leased premises.

Management or operation includes, but is not limited to, advertisement of the games, prizes to be awarded, nights games will be conducted, number of games to be played, solicitation of prizes, solicitation of participants, and any other activity in the planning, promotion, operation and accounting for games of bingo. In addition, management or operation includes all activities involved in the actual operation of the game, in the filing of reports, applications and information with the Kansas Department of Revenue, and in the promotion of bingo games.

No licensed organization shall permit such persons to participate in the management or operation of games of bingo conducted by said licensee. If a prohibited person participates in the management or operation of a game, such activity will constitute grounds for revocation of the bingo license.

III

Kansas Statutes Annotated 1975 Supp. 79-4708 places the responsibility of administering the Bingo Act with the Secretary of Revenue and vests the Secretary with the power to adopt rules and regulations to properly administer and enforce the provisions found therein. Effective administration and enforcement mandate that the Secretary require information, records and reports regarding the management or operation of bingo. Such demands may include any information related, in any manner, to the conduct, management or operation of bingo games. Without this information, the Department could not control licensees who misrepresent or adjust their records to reflect only proper activities relating to bingo games and receipts when in fact bingo activities and receipts are being used, directly or indirectly, to defray costs of activities forbidden by the Bingo Act.

Whenever the Secretary of Revenue requests information, records and specific reports which he has deemed necessary to administer and enforce the Bingo Act, such information shall be tendered by the licensee or applicant. Failure to provide such information will constitute grounds for revocation or denial of a bingo license.

IV

The intent in adopting K.S.A. 1975 Supp. 79-4706(d), (e), (f), and (g) was to restrict bingo games. It was intended that these restrictions would prevent a licensed organization from misleading the public and charging unconscionable prices. The Bingo Act was to insure that licensed organizations do not take unfair advantage of the participants.

This intent is being obviated by organizations who promise large prizes based upon some condition in the effort to entice participation. The participants arrive believing such games will be played. The licensee then cancels the game(s)

alleging that the advertised conditions have not been met. To allow such activities to continue would be to fail to properly administer and enforce the Bingo Act. All announced and advertised games must be played and prizes awarded to the winners. No licensed organization may condition a game upon the number of persons in attendance or the number of persons playing that game.

All prizes must be awarded as advertised and announced without condition or reservation. No organization may define winners as persons who have not won a game of bingo that day, nor may an organization limit winners by means of any similar restriction or reservation. Such conditions or reservations are contrary to K.S.A. 1975 Supp. 79-4701(a): "... the winners of each game being the player or players first properly covering a predetermined and announced patten of squares upon the card being used by such player or players."

The only conditional announcements or advertisements which are permissible are conditions or reservations due to inclement weather or other acts of nature. Should such conditions exist all games for that day must be cancelled and may not be reinstated that day unless all games in such announced group are played.

The use of such conditional or restrictive announcements or advertisements constitutes grounds for revocation of a bingo license. In addition, all such conditionally announced games must be played as if such condition or reservation were not attached to such announcement. If a licensed organization fails to play or refuses to play any game, the licensee must, none the less, include the amount of the announced prize in computing the aggregate prize limitation.

V

Kansas Statutes Annotated 1975 Supp. 79-4706(d) provides:

"(d) The aggregate value of all prizes including the retail value of all merchandise awarded by any such organization in any single day to winners of games of 'bingo' shall not exceed one thousand seven hundred fifty dollars (\$1,750);"

This provision requires that every prize given to a winner of a game of bingo in a calendar day shall be included in the aggregate value of all prizes. All prizes given as an incident to the operation or management of any bingo game must be included in the statutory total. It is of no consequence that such prize may have been awarded as a result of some activity other than a bingo game.

The prize limitation was to prevent bingo from developing into an operation which would entice the unwary with the lure of large prizes. Bingo was to be solely for fund raising and recreation, and every eligible organization

was to be able to participate. When organizations circumvent this intent by offering and awarding prizes as an incident to games of bingo, through the subterfuge that the prizes are not awarded as a result of a game of bingo, they are violating the act itself.

In addition, it would be administratively impossible for the Department to monitor prizes and determine which are given to winners of games of bingo and which are not. All prizes given in connection with the management or operation of a game(s) of bingo must be included in the aggregate prize limitation.

APPROVED:



F. Kent Kalb
Secretary of Revenue



W. L. ALBOTT
DIRECTOR

*By Mail
Bob Olsen
Don Pounds*

STATE OF KANSAS

KANSAS BUREAU OF INVESTIGATION

3420 VAN BUREN
TOPEKA, KANSAS 66611
(913) 296-3026

June 7, 1976

Bob Olsen

JACK H. FORD
ASST. DIRECTOR

FIELD SER
DAVID E. JOH
EAST REGION
ROBERT C. CLESTER
WEST REGION

SPECIAL SERVICES
JACK A. WEST
NARCOTICS
JACK H. WILLIAMS
INTELLIGENCE

SUPPORT SERVICES
DWAYNE SACKMAN
IDENTIFICATION-INFORMATION
RONALD L. JONES
LABORATORY

RECEIVED
LEGAL DIVISION

JUN 9 1976

DEPARTMENT OF REVENUE

Mr. F. Kent Kalb
Secretary of Revenue
State Office Building
Second Floor
Topeka, Kansas 66612

Dear Mr. Kalb:

Assistant Attorney General Dan Watkins referred the attached material to us. The complaint seems to be that a wheel, similar to a wheel of fortune, is used to select the number of bingo balls to be drawn for a \$500.00 prize in the Blackout game where all 25 numbers must be covered. If no blackout occurs within the number of balls determined by the wheel, then the game is continued until a blackout occurs, but the prize is reduced to \$200.00.

We do not believe the spinning of wheel, as described, is a violation of the gambling statutes. However, it may be of interest to you from a regulation standpoint.

When the new regulations are decided upon, I would appreciate a copy of them.

Very truly yours,

W. L. ALBOTT
DIRECTOR

Jack H. Williams
Jack H. Williams
Supervisor
Intelligence/Organized Crime
Division

WLA:JHW:rjh
cc: Dan Watkins, Asst. A.G.
Bill Schutte, Asst. A.G.

Enclosures: Copy of letter to A.G. Schneider
Copy of letter to Bingo Chairman
Copy of Bingo advertisement

Forwarded to Jack Williams - KBI

RECEIVED
STATE OF KANSAS

MAY 26 10 22 AM '76

Mr. Curt Schneider
State Attorney General
State Capitol
Topeka, Kansas

May 25, 1976

OFFICE OF THE
ATTORNEY GENERAL
BY William Williams

Re: Enforcement of Bingo Laws

Dear Mr. Schneider:

We are greatly concerned in the enforcement of the Bingo Laws, and at the present time we question the honesty of any of them - comeway or other they find ways of cheating the public. We are sending you a copy of the letter we sent the Bingo Chairman, Congregation ^{Sholom} Sholom Synagogue along with a copy of their program. As of this date the same situations continue. The "Indy" 500 wheel is similiar to the wheels used in the casinos in Las Vegas and certainly should be stopped. An audit of their "Win & Take All" should be made as to the amount taken in and the amount they pay out. It is obvious that with their large crowds more is deducted than 10% as every player has to purchase at least 5 cards(\$1).

Yours truly,

William Williams
A group of Regular Bingo
Players.

News Release

For Release: May 5, 1976

Internal Revenue Service District Office

Wichita, Kansas 67202, Tel. (316) 267-6311

For further information call:
Richard J. Furlick
Public Affairs Officer
May 4, 1976

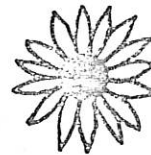
WICHITA, KANSAS -- Maurice E. Johnson, IRS District Director for Kansas issued a reminder to all exempt organizations today. Some exempt organizations may be liable for tax on unrelated business income. "Unrelated business income" is the gross income derived from any unrelated trade or business regularly carried on, less those allowed deductions which are directly connected with the carrying on of such trade or business.

In certain cases, gross income is derived from an unrelated trade or business activity which exploits an exempt activity, for example, the sale of advertising in a periodical of the accomplishment of the organization's exempt purpose. In a recent court case, it was held that weekly operation of a bingo game of an exempt organization was a trade or business and the income is taxable as unrelated business income. In other cases, special rules apply to social clubs and employees associations. Generally, the regulations impose a tax on all income from nonmember sources.

An exempt organization may operate a trade or business which may be a substantial part of its activities, if the operation of the trade or business is in furtherance of the organization's exempt purpose. If not related, and the activity is a substantial part of the organization's activity, the organization is not exempt. Thus, the unrelated business activity is subject to unrelated business income tax.

TAX PRACTITIONER NEWSLETTER

District Director
Internal Revenue Service
412 S. Main
Wichita, Kansas



76-1 Special Addition Extracted From January 1976

BINGO QUESTION ADDRESSED

Legalization of bingo in Kansas has created questions about reporting payoffs made by organizations conducting bingo games. Specifically, what are an organization's responsibilities in furnishing prize winners with Form 1099, U. S. Information Return, and filing the Annual Information Return, Form 1096.

There is a section of the Internal Revenue Code--Section 6041--which deals with this subject and it states in part: "All persons engaged in a trade or business and making payments to another person of \$600 or more in any taxable year shall render..."

Additionally, Revenue Ruling 56-176 was issued to apply the requirements of the Section to exempt organizations. The ruling requires exempt organizations to file annual information returns (Form 1096) accompanied by statements of Form 1099 setting forth the names and addresses of recipients and the payments -- totaling \$600 or more -- made during the calendar year.

Accordingly, an organization is required to furnish prize winners with Form 1099 and file an annual Form 1096 whenever a prize winner's cumulative total reaches \$600 or more in a calendar year.

April 22, 1976

Bingo Chairman
Congregation Chev Sholom Synagogue
5311 West 75th
Prairie Village, Kansas

Dear Chairman:

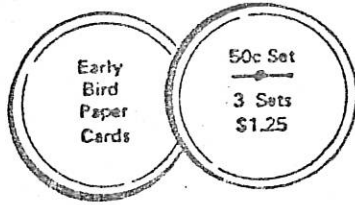
Spinning the wheel to establish the maximum number of balls for your last \$500 game is "gambling" and not in accordance with the Bingo Law; we plan to report this to the Attorney General unless you elect to do something about this method. This is not only illegal but it has become so obvious that the wheel is fixed in some way as the lowest numbers of 51, 52, 53 are always coming up and seldom do the higher numbers - perhaps one in twenty. Us players prefer the weekly increase of 1 number building up the total which is in accordance with the law.

Furthermore, your "Win & Take ALL" is not in truth a "Win & Take All" and it should be so stated as "Win & Take All less ____ %". We realize a large percent is being deducted and this game's proceeds should be audited by the State. When an American Legion Post who plays on Wednesday nights pays \$105 with a crowd of 82 for the same game we realize how much we are being gipped by an organization who we expect, above all, to be completely honest. We would like to see both of these matters taken care of you and not make it necessary for us to bring this to the attention of the Attorney General.

A Group of Regular Bingo Players.

C.O.S. BINGO ASNER HALL

5311 W. 75TH ST. - SOUTHEAST CORNER 75TH & NALL, PRAIRIE VILLAGE, KANSAS
 EACH TUESDAY NITE - FIRST GAME 7:00 P.M. (DOORS OPEN 6:00 P.M.)
 CHECK YOUR CARDS FOR CORRECT DATE BEFORE YOU LEAVE THE CASHIER



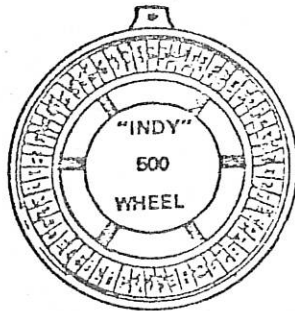
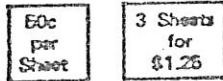
HARD CARDS

\$1.00 ea.

7 Cards for \$5.00!

You must play at least 3 cards or more

BIG THREE SPECIAL PAPER CARDS



* NOTICE
 WE WILL PAY DOUBLE IF YOU BINGO IN SEVEN NUMBERS OR LESS ON THE FOLLOING GAMES
 6-9- 19-21

5-18-76

EARLY BIRD GAMES

1. REGULAR \$20.00
2. REGULAR \$20.00
3. REGULAR \$20.00

HARD CARD GAMES

4. CRAZY "L" \$50.00
5. REGULAR OR 4 CORNERS \$20.00
6. *REGULAR ONLY \$20.00
7. B & O \$20.00
8. DOUBLE POSTAGE STAMP (ANY CORNER) . . . \$25.00
9. *REGULAR ONLY \$20.00
10. ODDS OR EVENS (BLACKOUT) \$20.00
11. REGULAR GOOD NEIGHBOR 5-20-5 . . . \$30.00
12. BLACKOUT (54 NOS. OR LESS) \$500.00
 CONSOLATION \$100.00

INTERMISSION

BIG THREE SPECIAL

13. REGULAR \$15.00
 (We pay double if you bingo on first card)
14. PICTURE FRAME \$20.00
 (We pay double if you bingo on 2nd card)
15. BLACKOUT \$15.00
 (We pay double if you bingo on 3rd card)

HARD CARD GAMES

16. INSIDE SQUARE \$25.00
17. TOP ROW OR BOTTOM ROW \$20.00
18. DOUBLE BINGO \$30.00
19. *REGULAR \$20.00
20. DOUBLE BINGO (WILD NUMBER) \$20.00
21. *REGULAR \$20.00
22. CALLER'S CHOICE \$30.00

WE WILL SPIN THE "INDY 500" WHEEL EACH WEEK TO DETERMINE NUMBER FOR \$500.00 BLACKOUT GAME ...

23. BLACKOUT \$500 IN ? NUMBERS (DETERMINED BY WHEEL) OR CONSOLATION \$200.00

LAST CHANCE BLACKOUT

5 Cards \$1.00

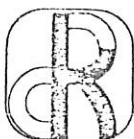
24. BLACKOUT ? ? ? ?

The more cards you buy, the bigger the pot!!

Thank you for playing at Ohev Sholom, Asner Hall - See you next week. Bring a friend.

PHONE NI 2-6460

CARDS SPEAK FOR THEMSELVES - SLEEPERS COUNT



Kansas
D E P A R T M E N T O F R E V E N U E

State Office Building
TOPEKA, KANSAS 66625

To: All organizations licensed to conduct bingo games and cited for revocation of their license for reason of an unreasonable rental agreement.

Date: June 23, 1976

From: F. Kent Kalb
Secretary of Revenue

Re: Reasonable lease or rental agreements.

It is the position of the Kansas Department of Revenue that a bingo licensee may pay a reasonable rent from bingo proceeds for the operation or conduct of bingo games. This position is supported by Attorney General's Opinion No. 75-141.

K.S.A. 1975 Supp. 79-4706(c) provides that "no person may receive any remuneration or profit for participating in the management or operation of the game;". It is the position of the Kansas Department of Revenue that any lessor who receives an unreasonable rental fee for the use of his property is in fact receiving remuneration for the management or operation of the game of bingo. In determining whether a given rental fee is reasonable, the Department will consider the following criteria:

1. The size of the location and cost per square foot of usable space in comparison to the cost per square foot of similar facilities in that locality;
2. The number of nights that the facility is rented a week;
3. The actual cost of utilities;
4. The cost of equipment rentals using the formula (cost ÷ life) ÷ number of users;
5. The actual cost of supplies;
6. The actual cost of janitorial services.

In determining what constitutes a similar facility, the Department will consider all aspects including but not limited to adequate parking within a reasonable distance, air conditioning, etc. Such factors will be closely scrutinized to assure that the additional fees assessed are in fact justified.

Whenever the lessor retains concessions, the right to assess a fee for parking or any other type of activity for which the lessor may charge a fee, such retention will be considered a part of the rental fee. Therefore, if the rental charge is \$X and the concessions profit is \$Y the total lease price is deemed to be \$X + \$Y.

Any activity provided for the licensee by the lessor as a part of the lease agreement or by an individual for a fee, which is for the purpose of attracting persons to participate in games of bingo, is deemed to be participation in the management or operation. It is the Department's position that every individual receiving a salary for providing such a service is in fact receiving remuneration for the management or operation of games of bingo. Therefore, no licensee may pay directly or indirectly a salary from the bingo proceeds for an individual to perform a service connected with the management or operation of the game of bingo. No licensee may pay an individual a wage to provide a nursery, security, advertising or similar type service in connection with their games of bingo.

Sincerely,

F. Kent Kalb
Secretary of Revenue

FKK:RAO:krs

KANSAS DEPARTMENT OF REVENUE
DIVISION OF TAXATION
BINGO ENFORCEMENT TAX RETURN

REGISTRATION NO. _____

RETURN FOR _____ MUST BE FILED AND TAX PAID BY _____

COMPUTATION OF TAX

1. TOTAL GROSS RECEIPTS RECEIVED FROM CHARGES FOR ADMISSION OR PARTICIPATION _____ \$ _____
2. AMOUNT OF TAX DUE FOR THE MONTH (2% OF LINE 1) _____
3. AMOUNT OF REMITTANCE ENCLOSED _____ \$ _____

I CERTIFY THAT THIS IS A TRUE, CORRECT AND COMPLETE RETURN.

SIGNATURE _____

BT-1
(3-75)

MAIL THIS RETURN AND REMITTANCE TO: KANSAS DEPARTMENT OF REVENUE, DIVISION OF TAXATION
TOPEKA, KANSAS 66625. MAKE REMITTANCE PAYABLE TO DIRECTOR OF TAXATION.



STATE OF KANSAS

Office of the Attorney General

1st Floor, State Capitol Bldg. (913) 296-2215 Topeka, Kansas 66612

Curt T. Schneider
Attorney General

May 19, 1976

Mr. F. Kent Kalb
Secretary
Department of Revenue
State Office Building
Topeka, Kansas 66612

Dear Secretary Kalb:

You have submitted a proposed bingo license renewal application form for our consideration and inquire whether this proposed form could be prepared by this office as provided in K.S.A. 1975 Supp. 79-4703.

K.S.A. 1975 Supp. 79-4703 provides that the attorney general shall prepare forms for license application and further states that such applications shall contain (1) the name and address of the organization, (2) the particular place or location for which a license is desired, and (3) a sworn statement verifying that the organization is a bona fide nonprofit religious, charitable, fraternal, educational or veteran's organization authorized to operate within the state of Kansas signed by the presiding officer and secretary of the organization. This is the extent of the statutory requirements for bingo applications.

In addition to the above mentioned information, your proposed form includes a Statement of Source and Application of Funds section. K.S.A. 79-4705 empowers the director of taxation to prepare forms for the reporting by licensed organizations of gross receipts received from charges for admission or participation in bingo games during the designated reporting period, and such other information as the director may deem necessary. It is our opinion that the information sought in the Statement of Source and Application of Funds section of your proposed form would be more properly obtained on forms prepared by your office as prescribed by statute. Therefore,

Mr. F. Kent Kalb
Page Two
May 20, 1976

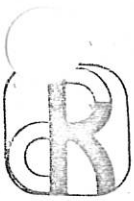
we will approve the bingo license renewal application form you request with the exception of the Statement of Source and Application of Funds Section.

Yours very truly,



CURT T. SCHNEIDER
Attorney General

CTS:DLW:en



FORM 2-B

KANSAS

FY 76-77

BINGO LICENSE RENEWAL APPLICATION (PLEASE PRINT OR TYPE)

FOR OFFICE USE ONLY
Fee
No.
Issued

- 1. Location for which license is requested
2. Is this location within the incorporated limits of a city or town?
3. Type of Nonprofit Organization. (Check One)
4. Period of years your organization has been in existence in the State of Kansas
5. Is membership to your organization denied for reasons of race, color or physical handicap?
6. Days of the week and times when Bingo games will normally be conducted
7. Name and address of individual who may be contacted regarding the operation or management of Bingo games

The books of this organization are in care of
Located at

- 8. Is your organization required to file a Federal tax return, Form 990-T, to report unrelated business income?
9. Have you filed information returns (Form K-99) with the Kansas Director of Taxation for all individuals who received \$600.00 or more in winnings from Bingo games and other prizes during calendar year 1975?
10. Does this organization currently have a tax exempt ruling from the Internal Revenue Service?

AFFIDAVIT

State Of
County Of ss:

We, the undersigned, state that this is a bona fide nonprofit organization of the type indicated and is authorized to operate within the State of Kansas. We further state that all information and all statements contained herein are true and correct.

If application is made as a nonprofit fraternal organization, we further state that the organization is organized and operated to carry on some worthy civic or service purpose.

Applicant agrees to comply with the provisions and requirements of the law and the rules and regulations promulgated by the Secretary of Revenue.

(Signature of Presiding Officer) (Title) (Home Address)

(Signature of Secretary) (Title) (Home Address)

Subscribed and Sworn to Before Me, This Day of 19

My Commission Expires 19 Notary Public

INSTRUCTIONS FOR BINGO LICENSE RENEWAL APPLICATION

A bingo License Renewal application must be prepared by every licensed organization that desires to continue conducting bingo games. Bingo licenses currently held by all organizations expire on June 30, 1976. It is important that the renewal application be completed and returned to the Kansas Department of Revenue no later than June 15, 1976 to insure that a new bingo license will be in your possession and displayed by July 1, 1976. It is unlawful to conduct bingo games without a valid license.

Review the information that has been entered on your application. If any information is erroneous, please make the necessary corrections. Line 1 through 10 on the application should then be completed. On Line 3 you are to indicate the "Type of Nonprofit Organization". For your convenience a sample list of organizations, by classification, is shown below.

Organizations By Classifications

(1) Religious Organizations

All Churches and Affiliated Groups

(2) Educational Organizations

Only Public or Private Elementary or Secondary Schools or Institutions of Higher Education

(3) Charitable Organizations

Parent-Teacher Organizations
Rotary Clubs
Optimist Clubs
Lions Clubs
Jaycees
Kiwanis
Chambers of Commerce

(4) Veterans' Organizations

American Legions
Disabled American Veterans
Veterans of Foreign Wars
War Dads
Am/Vets

(5) Fraternal Organizations

Fraternal Order of Eagles
Elks Lodges
Fraternities
Knights of Columbus
Masonic Orders
Moose Lodges

If question 10 is answered "Yes", enter in the space provided the Internal Revenue Code Section under which your organization is exempted. The information pertaining to your exemption can be obtained from your annual return of Organization Exempt From Income Tax, Federal Form 990, or the letter which your organization received from the Internal Revenue Service ruling on your exempt status.

SIGNATURES - The Bingo License Renewal Application must be signed by two officers of the organization, the presiding officer and the secretary. Please indicate on the appropriate lines the correct titles of those signing the application if they differ from "presiding officer" or "secretary", and the home address.

Signatures should be notarized and the completed application returned to the Kansas Department of Revenue in the enclosed envelope with a \$25.00 license fee. If your application is approved, you will receive a license to conduct games of bingo.

Bingo licenses will not be issued until all information requested on this statement is submitted.

If you require additional information or have any questions regarding your application, please write the Kansas Department of Revenue, P.O. Box 692, Topeka, Kansas 66601 or call (913) 296-2461.

KANSAS DEPARTMENT OF REVENUE
DIVISION OF TAXATION
TOPEKA, KANSAS 66625

FOR OFFICE USE ONLY	
Fee	\$25.00
No.	
Issued	

APPLICATION FOR LICENSE TO CONDUCT GAMES OF BINGO
(PLEASE PRINT OR TYPE)

- Name of Organization _____
- Location for which License is requested _____
(Number and Street) (City or Town) (County) (Zip Code)
- Mailing Address for forms if different than (2) above _____
(Number and Street) (City or Town) (Zip Code)
- Is the Location for which a License is requested located within the incorporated limits of a city or town? ___ Yes ___ No
- Type of Nonprofit Organization. (Check One) (See Instructions)
(1) ___ Religious Organization (3) ___ Charitable Organization (5) ___ Fraternal Organization
(2) ___ Educational Organization (4) ___ Veterans' Organization
- Period of years your organization has been in existence in the State of Kansas (See Instructions) _____
- Is membership to your organization denied for reasons of race, color or physical handicap? ___ Yes ___ No
- Does your organization have a Kansas Retailers' Sales Tax Certificate of Registration? ___ Yes ___ No
If yes, enter Certificate of Registration Number _____
If no, see, "SPECIFIC INSTRUCTIONS, Line 8."

AFFIDAVIT

State Of _____,

ss:

County Of _____,

We, first being fully sworn, state that this is a bona fide nonprofit organization of the type indicated above and is authorized to operate within the State of Kansas. We further state that the information above and all statements contained therein are true and correct.

Applicant agrees to comply with the provisions and requirements of the law and the rules and regulations promulgated by the Secretary of Revenue.

(Signature of Presiding Officer)

(Title)

(Home Address)

(Signature of Secretary)

(Title)

(Home Address)

Subscribed and Sworn to Before Me, This ____ Day of _____, 19____,

My Commission Expires _____ 19____. _____
Notary Public

PLEASE READ INSTRUCTIONS ON REVERSE SIDE

GENERAL INSTRUCTIONS

Applications for licenses to conduct games of bingo will not be approved until all information requested is submitted. The Secretary of Revenue may request additional information as required. It should be noted that any organization which denies membership to persons for reasons of race, color or physical handicap will not be granted a license to operate or conduct games of bingo. Licenses granted to conduct or operate games of bingo will be revoked if it is determined that false information was given to obtain such license.

Nonprofit auxiliary organizations under a separate charter must obtain a separate license from their parent organization. However, they may conduct their games in the same location as their parent organization.

The completed application and \$25.00 license fee should be mailed in the enclosed envelope.

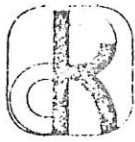
SPECIFIC INSTRUCTIONS

- Line 1: Enter the official name of your organization as indicated by your charter, bylaws or articles of incorporation.
- Line 2: Enter the complete address of the location where games of bingo will be conducted.
- Line 3: Complete Line 3 only if mailing address for forms is different than line 2 above.
- Line 4: Enforcement taxes collected by the Department of Revenue for the privilege of operating or conducting bingo games must be returned to either the city or county where the licensed premise is located. If your licensed location is within the incorporated limits of a city or town, enforcement taxes collected will be returned to the City Treasurer of such city. If your licensed location is located within an unincorporated area of a county, enforcement taxes will be returned to the County Treasurer. Therefore, it is important that line 4 be properly completed.
- Line 5: Indicate on line 5 the classification of your organization as specified by the bylaws, charter or articles of incorporation. Since your organization must be exempt from taxation under Section 501(c) of the Internal Revenue Code, you may be required to submit a copy of the determination letter from the Internal Revenue Service.
- Line 6: Indicate on line 6 the period of years your organization has been in existence. Except for fraternal and veteran's organizations affiliated with and chartered by a national organization, no license can be issued to an organization unless it has been in existence continuously for a period of five (5) years immediately preceding the date of making application for a license.
- Line 7: Licenses cannot be granted to any organization which denies membership for reasons of race, color or physical handicap.
- Line 8: Your organization must be registered to collect Kansas sales tax before a bingo license can be issued. Sales taxes must be collected on the gross receipts received from charges for participation and admission fees in connection with games of bingo. If your organization is presently registered to collect sales tax, enter your sales tax registration number. Please indicate if your organization is not registered and the appropriate forms will be forwarded.

SIGNATURES - This application must be signed by two officers of the organization, the presiding officer and the secretary. Please indicate on the appropriate lines the correct titles of those signing the application if they differ from "presiding officer" or "secretary", and the home address.

Signatures should be notarized and the completed application returned to the Department of Revenue with a \$25.00 fee and any other required documentation. If your application is approved, you will receive a license to conduct games of bingo.

If you require additional information or have any questions regarding your application, please write the Department of Revenue, P.O. Box 692, Topeka, Kansas 66601 or call (913) 296-2461.



Kansas
DEPARTMENT OF REVENUE

State Office Building
TOPEKA, KANSAS 66625

June 16, 1976

RECEIVED
DISTRICT ATTORNEY
18TH JUDICIAL DISTRICT

JUN 17 1976

Keith Sanborn, District Attorney
Sedgwick County Courthouse
625 North Main Street
Wichita, Kansas 67203

Re: Bingo Operations

Dear Mr. Sanborn:

Revenue Ruling 23-76-1, issued by this Department May 18, 1976, provides in part that no more than one licensee may conduct bingo games at any single location on any given calendar day. This Revenue Ruling was mailed to all licensed organizations.

In view of this ruling we respectfully request that the bingo operations within your jurisdiction be inspected to insure that all licensed organizations are complying with this ruling. If violations of Revenue Ruling 23-76-1, are found to exist, we request that those violations be reported to this Department and revocation proceedings will be initiated as provided by K.S.A. 1975 Supp. 79-4707. We now anticipate that any revocation proceedings against licensed organizations in the 18th Judicial District would be held in Wichita.

Thank you for the assistance you have given us in the past and if you desire further information in regard to this matter, please let me know.

Very truly yours,

Donald D. Pound, Asst. Chief
Sales & Excise Tax Bureau

DDP:ps

June 16, 1976

Nick Tomasic, District Attorney
Wyandotte County Courthouse
Kansas City, Kansas 66101

Re: Bingo Operations

Dear Mr. Tomasic:

Revenue Ruling 23-76-1, issued by this Department May 18, 1976, provides in part that no more than one licensee may conduct bingo games at any single location on any given calendar day. This Revenue Ruling was mailed to all licensed organizations.

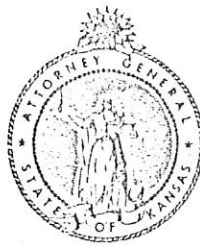
In view of this ruling we respectfully request that the bingo operations within your jurisdiction be inspected to insure that all licensed organizations are complying with this ruling. If violations of Revenue Ruling 23-76-1 are found to exist, we request that those violations be reported to this Department and revocation proceedings will be initiated as provided by K.S.A. 1975 Supp. 79-4707. We now anticipate that any revocation proceedings against licensed organizations in the 28th Judicial District would be held in Kansas City.

Thank you for the assistance you have given us in the past and if you desire further information in regard to this matter, please let me know.

Very truly yours,

Donald D. Pound, Asst. Chief
Sales & Excise Tax Bureau

DDP:ps



STATE OF KANSAS

Office of the Attorney General

1st Floor, State Capitol Bldg. (913) 296-2215 Topeka, Kansas 66612

Curt T. Schneider
Attorney General

June 25, 1976

TO: JOHN F. HAYES, Chairman
Legislative Bingo Investigation Study Committee

FROM: DONALD R. HOFFMAN
Assistant Attorney General

RE: SUGGESTED CHANGES IN THE BINGO LAW

On May 25, 1976, the Attorney General wrote to you concerning some proposed changes in the existing bingo legislation in order to eliminate the opportunity for abuse of the law. Today, we would like to elaborate on those suggestions and the rationale behind them.

Rent

No licensee should pay more than a fair and reasonable rental value for premises rented or leased for the purpose of conducting bingo. In no case should the amount of rent be based upon a percentage of the receipts accruing to the licensee by virtue of the bingo operation. The reasonableness of the rent could be determined by the Secretary of Revenue according to standards set by the legislature.

The need for this provision has developed because of the extremely high rents being charged at a few of the so-called

"bingo parlors." Percentage rent arrangements as high as 90% are now in effect. Also, rates up to a flat \$350 per session are charged for rent by some parlors. This has the effect of allowing the owner of the building to be in the bingo business, rather than the organizations intended by the legislature and the voters. The persons who own or lease a building can thus rent the premises to several organizations a day every day of the week. This encourages individuals to get into the bingo business for profit. The legislature, we believe, intended to allow specific organizations to operate and manage bingo games and did not intend to create an industry for private individuals.

Games Allowed

One way to eliminate the problem addressed above would be for the legislature to limit the number of games that can be played in a given location each day. A game limit per day/per building, along with a reasonable rent provision, would discourage those private individuals from going into the bingo business by making it less lucrative.

A Revenue Ruling issued by the Secretary of Revenue has interpreted the bingo law to require that only one licensee may conduct bingo games at a single location on any given calendar day. A statutory provision to this effect would clarify this area and make clear the legislative intent.

Strict Five Year Limitation

Only organizations in existence for five years or more may obtain a bingo license. This provision would apply to any organization even if affiliated with and chartered by a national organization. There have been a number of organizations in the past year, specifically to allow their few members to obtain a bingo license. These organizations are affiliates of national organizations, but they are probably not the sort of community organizations which the legislature intended to authorize to play bingo. A strict five year requirement would discourage persons from forming a non-profit affiliate of a national organization solely for the purpose of obtaining a bingo license. Though this could work a hardship on some legitimate organizations who desire to play bingo, it would prevent some of the abuses which are presently occurring. The Secretary of Revenue could be provided with the power to waive this requirement in appropriate circumstances.

Reporting Winners to Secretary of Revenue

A requirement that each organization submit a periodic report to the Secretary of Revenue with the names and addresses of recipients of special prizes with a value of \$200 or more would allow the Secretary of Revenue to check on charges that the same persons are receiving the large prizes. There have been allegations that this has happened in the past, but there has been no way to substantiate the claims.

Presently, the Act allows certain persons and organizations to use bingo games in a manner not intended by the legislature. The above suggestions would assist the Secretary of Revenue, who is charged with administering the Act, and the local officials, who must help enforce the law in carrying out the legislature's intent in this area.

NICK A. TOMASIC

District Attorney
Twenty-Ninth Judicial District
Wyandotte County Court House
Kansas City, Kansas 66101
371-1600

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June 30, 1976

Representative John F. Hayes
Chairman
Legislative Bingo Investigation Study Committee
State Capitol Building
Topeka, KS 66612

RE: Summary of my testimony before the Legislative
Bingo Investigation Study Committee

Dear Representative Hayes:

In Wyandotte County, Kansas there are approximately seventy-three (73) bingo licenses issued to various organizations and satellite organizations. The following is a general breakdown of the various classifications. Apparently there are twenty-four (24) church related licenses, nineteen (19) Veteran related licenses, nine (9) educational related licenses, ten (10) civic related licenses and eleven (11) purely social.

In Wyandotte County there are apparently three (3) on-going bingo parlors now in existence and a fourth gearing up to be in full operation in a short time. The three already in existence are AMVETS Hall Post #69 located at 236 N. 7th in Kansas City, Kansas, the Highland Crest Corporation Building at 47th and Shawnee Drive and Bingo Alley located at 11 Southwest Boulevard. The fourth bingo parlor apparently attempting to establish operation is at the AMVETS Post #34 located at approximately 5th and State in Kansas City, Kansas.

Our investigation has revealed that while the bingo licenses for the AMVETS and various organizations conducting bingo at bingo parlors are in names of perfectly legitimate citizens, that in reality convicted felons are behind each of the operations. For example:

At 236 N. 7th Street, we know of two convicted felons who are allegedly conducting the games and receiving the profits. We know that during a four month period the AMVETS license, the Auxiliary license and a license from the Wyandotte Optimist were used to conduct bingo games

with apparently the same people involved and the same bookkeeper. We have unfounded reports that the Wyandotte Optimist are receiving a flat payment per week, which is relatively small in exchange for the use of their license; and that during this four month period the total sales as reported to the Department of Revenue for these three organizations amounted to (\$187,966.00) and that for the last reported month the total take reported was (\$65,938.00). We have had reports that the same people are winning the bingo games and that the door prizes that are listed actually are not being awarded.

At the Highland Crest Building at 47th and Shawnee Drive, we know that a convicted felon is behind the games there. This is the same person that was just convicted of gambling and allowing the premises to be maintained as a gambling place in Wyandotte County several months ago. These were not bingo type gambling charges. Bingo games are conducted there seven to eight times a week.

At the 11 Southwest Boulevard establishment, we know that a convicted felon is using the Veterans and Auxiliary licenses, that he is collecting all of the proceeds from the bingo game every night from both organizations and that at the end of the month he gives his check to the Veterans and to the Auxiliary for their share of the profits. Apparently there is no account as to the actual receipts and expenditures.

At the fourth location on 5th and State, AMVETS Post #34, this is an organization that was just formed in November and its membership consists of over 50% out-of-county or Kansas City, Missouri people. We do know that they have attempted to get other organizations to play bingo at their hall. We have reason to believe that a convicted felon is behind that organization.

A fifth incident was the issuance of a license to two brothers, Charles Johnson, the policeman and Ronald Johnson, a convicted felon just recently released from prison. The policeman, Charles Johnson, was working at the bingo parlor at 236 N. 7th for sometime and he and his brother attempted to have the Fraternal Order of Police obtain a bingo license so they could use it in exchange for one-hundred dollars (\$100.00) a week and no work. When this was not done, he and his brother obtained a tax exempt, non-profit certificate from the Federal Government on the basis of drug related talks they give to various organizations and they then applied for and were given a bingo license under the name of Cop and Con. They

June 30, 1976

Page Three

have not formed any type of legal organization. They have been giving talks together for just over one year and now they are planning on having a bingo operation on State Avenue at a drive-in theatre.

We have information that one of the convicted felons is receiving approximately one-hundred dollars (\$100.00) a week from fifteen different organizations because of his knowledge and his help in setting up the bingo games.

We have an on-going investigation in Wyandotte County, Kansas. I am using the Kansas Bureau of Investigation and the Kansas City, Kansas Police Department and it is extremely difficult to obtain information upon which a prosecution can be had under the existing bingo statute. I feel that it is completely unenforceable from a lawman's point of view. We do not have strict enough rules concerning what is a crime, what is a felony or a misdemeanor and who is to be prosecuted. We also do not have anything in the statute that would allow us to prosecute the landlord for violations.

We also have complaints that the door prizes that are awarded are not really being given, that the same people are winning the bingo pots, and that during intermission "table bingo" is played where the people all throw money in the pot and someone at the table calls games of bingo.

I would recommend:

1. No door prizes at all.
2. Daily reporting to the Secretary of Revenue with a detailed breakdown on receipts and expenditures, including names and addresses.
3. A stronger law to include the landlord, making certain violations felonies.
4. Make no exceptions to the rule that the organization must be in existence five (5) years, including a local organization and not only the national organizations.

It is also our experience that only in the professional bingo parlors are licensees conducting games twice a week. For this reason, we

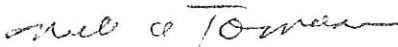
Representative John Hayes
June 30, 1976
Page Four

might want to consider amending the law to allow bingo only once a week per license.

It is apparent that when the people voted to allow bingo, they intended legitimate organizations be allowed for charitable purposes to raise money. They did not intend that bingo should be used by private persons as a gambling business for private gain. For this reason, I also request that convicted felons be legislated out of the operations of the game or the management or ownership of the establishment.

Thank you for your cooperation.

Yours truly,


NICK A. TOMASIC
District Attorney

NT:dju

ASSISTANT DISTRICT ATTORNEYS

R. K. Sworth 268-7435
 Larry D. Kirby 268-7293
 Roger C. Skinner 268-7526
 Gary H. Jarchow 268-7436
 Barry L. Arbuckle 268-7176
 James E. Rumsey 268-7234
 Jack N. Williams 268-7405
 Clifford L. Bertholf 268-7363
 Robert J. Hornung 268-7405
 Warren B. Wood 268-7204
 Stephen M. Joseph 268-7635
 Marvin R. Cook 268-7516
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 Michael H. Morgan 268-7556
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 Stephen E. Robison 268-7230
 James E. Puntch, Jr. 268-7281
 Michael E. Baker 268-7234
 Gregory L. Waller 268-7526
 Christopher A. Randall 268-7281
 Kim A. Roberts 268-7241

Office of  The
DISTRICT ATTORNEY
 Of The 18th Judicial District

Sedgwick County Courthouse - Fifth Floor
 525 North Main Street - Wichita, Kansas 67203
 (316) 268-7281

DISTRICT ATTORNEY
 Keith Sanborn 268-7536

FAMILY LAW DIVISION
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 John A. Nail, Legal Asst. 7675
 Arlyn K. Heusinkveld, Inv. 268-7687
 James D. Lane, Inv. 268-7687
 Floyd L. Williamson, Inv. 268-7687

CONSUMER PROTECTION DIVISION
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 Robert J. Hornung, Atty. 268-7405
 Georgia A. Staton, Atty. 268-7405
 Joyce A. Sullivan, Inv. 268-7405
 Dona M. Dinkler, Inv. 268-7405
 Gilbert W. Lucas, Inv. 268-7405
 James P. Edwards, Inv. 268-7405
 Harry L. Yocum, Inv. 268-7405

LIAISON & INVESTIGATION DIVISION
 Lt. Douglas R. Irvin, W.P.D. 268-7225
 Sgt. George L. Lux, W.P.D. 268-7503
 Tpr. Robert I. Bauer, K.H.P. 268-7480
 Lt. E. D. Miller, S.C.S.D. 268-7115
 Hugh H. Herring, Inv. 268-7281

June 24, 1976

Representative John F. Hayes, Chairman
 Legislative Bingo Investigation Study Committee
 Kansas State House
 Topeka, Kansas 66612

Re: Bingo

Dear Representative Hayes:

A considerable amount of time and effort has been expended in this community by law enforcement to carry out the intent and purpose of the Bingo amendment to the Constitution. Some serious problems have arisen which have already commenced to frustrate these efforts.

The people of Kansas voted to authorize the Legislature to allow certain bona fide charitable religious, educational, fraternal and veterans organizations to raise money for their religious, educational, fraternal and veterans purposes by one and only one form of lottery. All other lotteries by all other persons and organizations for other purposes are prohibited. It is implicit that such activities must be strictly controlled and carefully regulated to keep them confined to the organizations and to the purposes for which they are allowed.

No private individual or group is allowed to benefit financially from the conduct or operation of the activity, thus all of the money raised must be devoted to the same bona fide purposes which give rise to the exempt status of the qualifying organizations. The people voted to allow bona fide organizations to raise money for their bona fide purposes by conducting Bingo; they did not vote to allow private persons to organize Bingo as a business to obtain personal gain for themselves, by calling their income from the games "rent." Bingo was meant to be an activity entirely conducted by the organizations by themselves, and not to be converted into a gambling business.

The revenue ruling issued by Mr. Kalb on May 18, 1976, shows that he understands, is willing to, and intends to carry out the purpose and intent of the Constitutional amendment and the act in cooperation with the local criminal justice agencies and County and District Attorneys. In order for him to do so, the Legislature must provide him with the enforcement staff that is needed.

I believe four things must be done:

1. Detailed information must be submitted with every application thoroughly reviewed and verified so that only bona fide organizations obtain licenses.
2. Detailed accounting must be made for proceeds to verify that the proceeds go entirely to the exempt organization and are expended for the bona fide purposes of the organization.
3. The leasing and operation of "Bingo Parlors" should be unlawful and the activity should be required to be conducted on the premises of the licensee or another licensee.
4. The fraudulent application for, or obtaining of a license and the fraudulent diversion of the proceeds derived from the use of a license to the benefit of a private person should be punishable as a felony, the same as any other commercial gambling activity, leaving as misdemeanors, infractions of the statute by bona fide licensees.

Illegal gambling is one of the principal sources of income for organized crime. There is no reason to place illegal gambling income from Bingo in any separate category.

Yours truly,



Keith Sanborn
District Attorney

tery drawings). Promoters watered their patrons' chances by adding "blanks" in the container, or by holding successive drawings in the same ticket sale—so that sometimes the buyers were paying for numbers already drawn. In the Irish Sweepstakes, which has traditionally drained off vast sums in U.S. dollars from the American public, the drawings are used to give each lucky ticketholder a horse, and he is then exposed to the further hazard of the actual sweepstake race run in Ireland.

In recent decades in the United States a few illegally sponsored lotteries in the traditional form have come to light from time to time. They have not been significant because of the curbing effects of federal law, the need for widespread participation with its attending public exposure, and the total ease with which clandestine lotteries could be rigged (or, for that matter, the promoters could simply vanish with the stakes). Several times, incidentally, the Irish Sweepstakes has been undermined by the circulation of forged tickets; once an enterprising counterfeiter in Montreal poured them into the United States on such a scale that they created a national scandal, seriously upsetting the usual clandestine traffic in bona fide tickets.

Several varieties of lottery-type games deserve mention because they are widely promoted by religious and charitable organizations for fund raising, and because not infrequently they have provided a substantial source of revenue to the underworld when churches, fraternal orders, volunteer fire departments, etc., allow themselves to be used as fronts for professional promoters. These games have many names, the most familiar probably being "bingo," "beano," "lotto," or "keeno." In them, the players purchase boards containing randomly selected numbers in a square pattern, a separate consideration being paid for each board on each

Gambling and Organized Crime,
Rufus King, Public Affairs Press,
1969

in these casinos are not publicly available. But it is believed that the take thus generated is not very large, and (perhaps for this reason) there has been no significant attempt by criminal elements to infiltrate.

Another current experiment in licensing private gambling promotion is the provision under the laws of New York and New Jersey whereby churches, volunteer fire departments and other charitable organizations are permitted to set up commercial-type bingo games. Bingo and raffles are allowed for charitable purposes in one form or another by exemptions in the laws of some 17 states, but nowhere else on so extensive a commercial scale as the New York-New Jersey operations. New Jersey initiated its program in 1954, and New York in 1958. In both states the arguments which persuaded the legislators to pass legalization acts centered around the problems and scandals of illegal operations in the same field. It was charged that hoodlums and racketeers had made great inroads into the fund-raising activities of worthy organizations and were using charities as fronts for large-scale illegal enterprises.

A familiar sight in the New Jersey landscape today is a tiny two-stall country fire department, or a modest church, standing in the shadow of an armory-size bingo hall, under signs proclaiming that games are played weekly, etc., and that maximum prizes run up to \$1,000, etc. Moreover, there are 170 establishments, euphemistically described as "Commercial Rentors," which run permanent and more or less continuing bingo games by the device of renting their premises and their services to a succession of qualified organizations. The New Jersey Legalized Games of Chance Control Commission approved the issuance of 1,226 licenses for bingo games, and 6,410 licenses for raffles, in 1966. These were issued to 5,744 qualified and registered organizations

(743 churches, 1,223 other religious organizations, 539 unteer fire companies, 882 charities, 996 educational organizations, 369 veterans units, 539 civic clubs, 340 fraternal groups, etc.). 41,643 bingo sessions were held, and 6,352 raffles were drawn. The proceeds from these enterprises are not taxed, and the gross take was \$51,888,160 from bingo and \$11,596,906 from the raffles. The lion's share of this appears to have gone to the churches (\$24 millions), with other religious organizations accounting for \$12 millions, and educational groups and fire companies receiving \$7 millions each.

The Control Commission has a field staff of investigators and auditors who try to keep "unlawful commercial interests" out of the operations. Much of the policing is necessarily left to local municipal authorities, however, and this is believed to be somewhat hit-and-miss.

For some years the Commission has itself been opposing the licensing of "Commercial Rentors," who participate in the bingo and raffle profits to an average extent of about one-third (in 1963, a study of twenty-eight rentors shows that they had produced \$725,000 for the registered organizations and had kept \$324,000 for themselves). But the Legislature has never seen fit to do anything about this. Another problem has been the tendency of various organizations to proliferate, creating branches or subsidiaries in order to run more games and to avoid the limits set by the Control Commission on allowable stakes. Special difficulties have been encountered in policing what is known as the "50-50 cash raffle," a drawing for cash prizes which is supposed to be conducted as a complete operation among persons actually present at the raffle at one time. Promoters have repeatedly sold tickets for this kind of drawing off the premises, and over a longer period, which makes it, as the Control Com-

even wholly pre-empted by the Federal Government. Others (including most federal officials) insist that this is a province which belongs under the police powers of the states. State agencies in turn sometimes pass the buck to local governments. And mayors and sheriffs and aldermen often shrug their responsibility right back up the line towards the state capitols.

With the foregoing qualifications, to establish at least a tentative frame of reference the following conclusions will be ventured: law enforcement activities must continue to be directed vigorously against professional gambling promotion, even while the casual, social gambler ought not to be molested, nor the patron (except by sanctions necessary to make him give evidence against the illegal promoter); little reliance can be placed on control of gambling by local authorities—local ordinances are a shambles, local officials do not generally have punitive powers of sufficient severity, and local governments are too easily corruptible.

Much of the firing-line burden should be borne at the state level; state anti-gambling laws are almost universally in need of overhaul, penalty structures are inconsistent and sometimes outrightly ineffective, and there is much need for improvement in the structure and allocation of authority in state enforcement patterns; yet in last analysis if state officials really bore down on the problem it would shrink overnight. Nonetheless to an increasing extent—which will go on increasing—the suppression of big-time gambling operations must be undertaken by federal authorities. The most severe problems occur only where illegal gambling operations outgrow and reach across state lines.

The legalization of professional gambling *should not be endorsed or encouraged in any form or at any level*. Licensed gambling activities simply cannot be effectively controlled

by public authorities in they always corrupt. Ev be condoned only to th the categories private, mutuel track operations do not exploit in the though they contribute in real social worth. have become so power about eliminating their scene. Further widesp be discouraged, and th by-product of the pari state-conducted. But a themselves will proba looking in this latter d

The New Hampshire have posed no threats i haps as door-openers f are dangerous, and pu revenue measures. A taken by the United St ever were launched it and Russian bond-pre scale, and should be a partment or the postal

Thus in sum the mai gambling promoter out at all links between ga and to resist the spre from areas like Nevad mutuel tracks and char entrenched.

June 21, 1976

Representative John F. Hayes, Chairman
Legislative Bingo Investigation Study Committee
Kansas State House
Topeka, Kansas 66000

Dear Representative Hayes:

I first want to thank you and your committee for the opportunity to appear and express our problem areas pertaining to the bingo statutes.

In Sedgwick County, particularly Wichita most of our total problem exists in allowing bingo parlors. This allows individuals to solicit groups to obtain a license, then let the parlors operate the game with only a small return going to the licensee. The parlor operation is so competitive locally that the individual licensee cannot make expenses, thus defeating the original intent of the bill.

It is therefore recommended that only one license per location be strongly considered as in House Bill #2727 by Representative Morris. I realize that smaller communities are limited by what is available to operate their games in, however, this is our problem and maybe population or city class size restrictions could be implemented.

We recommend that Section 8, Senate Bill #116 be amended to include local law enforcement, similar to the reading in the enforcement of A.B.C. regulations, further stating that local enforcement be notified of licenses issued in their perspective areas. Presently local enforcement has no knowledge of who applies, what background investigation is completed or who is issued licenses.

We recommend that Section 3 (c) be amended, leaving out the affiliation with a national organization, meaning that local organizations be in existence continuously for a period of five years prior to making application.

We recommend that Section 6 (k) be amended that no person under the age of eighteen be allowed to play in a game of bingo.

We recommend the adoption of Sections III, IV, and V of the Revenue Ruling 23-76-1.

If Section I and II of Revenue Ruling 23-76-1 are given consideration, we recommend that Section II be amended to include employees and be limited to one license that the employees may volunteer to operate the game under. In parlor operations we have employees operating the games every night for different licensees, however, they do belong to all of the organizations that are playing. They are employed by the parlor operator and this is a subterfuge.

I plan on attending the hearings at the allotted time and will be happy to assist in any manner possible to make this bill a more workable one.

Very truly yours,

Everett O. Ford
Interim Chief of Police

William T. Dotts, Jr.
Captain
Vice/Organized Crime Section

WTD:rs

TOPEKA POLICE DEPARTMENT Attachment '67

MEMORANDUM

DATE: May 18, 1976

TO: Captain Ed Ritchie & Major Kearney

FROM: CCpl. J. D. Hogan, Vice & Narcotics, which conducts the

game Thursday at 7 P.M.

SUBJECT: Bingo

In regards to the memorandum sent to my office from Major Kearney information is as follows: at this time we now have 26 licensed bingo establishments in the Shawnee County area. The following three licensed establishments are outside the City limits: the first one will be American Legion Post 400, 3029 N.W. Hwy. 24, phone no. 296-9400; they have their bingo Tuesday night at 7:30. No. 2 will be the Fraternal Order of Police Lodge No. 3 at 2649 S.E. 45th Street, who have a license on the premises, however, have not started bingo since last year. The third establishment outside the City limits will be the American G.I. Forum, address 5601 S.E. 10th Street, phone no. 379-9936.

Of these three clubs no. 1 and 3 could possibly have illegal games going on, however, they are outside the City limits.

The next section of licenses will be the churches and schools which I do believe we don't have anything at this time to worry about. They don't have any regular games going at this time. They are named as follows: Church of the Assumption, 204 W. 8th; Holy Name Church, 1114 W. 10th; St. Joseph's Church, 3rd and Van Buren; St. Matthew Catholic Church, 1000 E. 28th St.; Sacred Heart Church, 333 Freeman; Our Lady of Guadalupe Parish at 108 East Crane; and also two schools Hayden High School at 401 Gage and Pauline Elementary School at 27th and California. Also, include McCarter School P.T.A. at 5512 W. 16th Street.

The following list preceding will be possibilities in regards to your memorandum as to illegal operations: American Legion Post No. 1, 3800 Michigan; they have their games Sunday and Tuesday at 7 P.M. Fraternal Order of Eagles No. 58 and also their auxiliary at 922 Kansas Avenue; they have their games Thursday at 7 PM and Saturday at 6:30 P.M. The Alcanon Club Inc., 2100 Central Park, which is a lower level of the A.A.A.; this establishment has been investigated by our Department already for gambling and numbers on phone. No arrests made, very reliable information, however, the investigation was found out in gambling at that time ceased which was approximately four months ago. The Breakfast Optimist Club of Topeka, Exhibit Hall, Fairgrounds, every Tuesday night at 7 PM. The Loyal Order of the Moose, 1901 N. Kansas Avenue, they have their bingo Sunday at 7 PM. V.F.W. Post 1650, address 310 Huntoon. They have their bingo Wednesdays and Fridays at 7:30 P.M. Jordan Patterson Post, American Legion, 811 E. 15th Street, at this time unknown when they have their bingo scheduled. Knights of Columbus Council, 900 Kansas Avenue, still unknown as to when they have their bingo. Knights of Columbus Council #534, address 3907 Burlingame Road, conducts their bingo games at Wednesday at 7 P.M. and Sunday at 7:30 P.M. The Oakland I.O.O.F. Lodge, 745 Chester, and also their

Page 2.
Bingo

Rebekah Lodge at 745 Chester; they conduct their bingo Monday at 1 P.M. and the second game starts Monday at 7 P.M. The last will be The White Lakes Optimist Club, Exhibition Hall, Fairgrounds, which conducts their bingo game Thursday at 7 P.M.

I have made contact with A.B.C. agent Bob Hazard, who I have worked with before and also A.B.C. agent Bob Brock reference the latter group of bingo licensees. They are supplying me at this time with the bingo regulations and will assist me in conducting an investigation when they are able.

Investigation will continue.

Cpl. J.D. Hogan
Vice & Narcotics

JDH:ae

TOPEKA POLICE DEPARTMENT

MEMORANDUM

DATE: May 20, 1976
TO: Captain Ed Ritchie & Major Kearney
FROM: Cpl. J.D. Hogan
SUBJECT: Bingo

On this date at approximately 6:30 P.M., I was in route to the Mid-America Fairgrounds reference White Lakes Optimist Club bingo. I went inside the building and purchased my bingo card; they also handed me a sheet of paper which stated May 20, 1976, and the sequence in type of bingo games that were going to be played that night. Attached to this memorandum will be a copy of this.

They had scheduled approximately 23 games but they threw in some extra games which still made them legal. At no time did I observe any playing cards being used, just straight bingo with variations of bingoing with the letter L or bingoing with the letter C, a quickie game which they call the Postage Stamp, which is four numbers filled together, they play the letter T straight up or any way and black out.

With this 25 games I did have five special games which they are authorized by law. Total expenditures \$10 by this officer and no violations noted.

End of report.

Cpl. J.D. Hogan

ae

Encl.

WHITE LAKES OPTIMIST CLUB

BINGO

MID-AMERICA FAIRGROUNDS

THURSDAY NIGHTS 7:00 P M

May 20, 1976

ANY STRAIGHT BINGO OR FOUR CORNERS WON IN 4 NUMBERS - - - - \$100.00
 ANY STRAIGHT BINGO OR FOUR CORNERS WON IN 7 NUMBERS - - - - 40.00

- 1. STRAIGHT BINGO OR FOUR CORNERS - - - - - 25.00
- 2. " " " " - - - - - 25.00
- 3. " " " " - - - - - 25.00
- 4. LETTER "H" - Anyway - - - - - 20.00
- LETTER "H" - Straight up - - - - - 40.00
- 5. STRAIGHT BINGO OR FOUR CORNERS - - - - - 25.00
- 6. " " " " - - - - - 25.00
- **7. SPECIAL - Three-In-One -- Cards 25¢ each or 5 for \$1.00
- I. Straight Bingo or Four Corners - - - - - 30.00
- 8. II. Letter "L" - Anyway - - - - - 35.00
- 9. III. Letter "C" - Anyway - - - - - 40.00
- 10. STRAIGHT BINGO OR FOUR CORNERS - - - - - 25.00
- 11. " " " " - - - - - 25.00
- 12. " " " " - - - - - 25.00
- 13. QUICKIE GAME - Postage Stamp - Any position on card - - - - 35.00
- 14. STRAIGHT BINGO OR FOUR CORNERS - - - - - 25.00

INTERMISSION -- Additional Cards will sell for 50¢

- **a)15. OPTIMIST BINGO - "BIG O" - 48 numbers - - - - - 250.00
- If no winner in 48 numbers, continue to play for - - - - 50.00
- Add one number each week until \$250.00 is won
- 16. STRAIGHT BINGO OR FOUR CORNERS - - - - - 25.00
- 17. " " " " - - - - - 25.00
- 18. " " " " - - - - - 25.00
- 19. LETTER "T" - Anyway - - - - - 20.00
- LETTER "T" - Straight up - - - - - 40.00
- 20. STRAIGHT BINGO OR FOUR CORNERS - - - - - 25.00
- 21. " " " " - - - - - 25.00
- **b)22. MINI-POT - LETTER "X" -- 24 numbers - - - - - 150.00
- If no winner in 24 numbers, continue to play for - - - - 50.00
- Add one number each week until \$150.00 is won
- c)23. BLACK-OUT in 52 numbers, regular cards - - - - - 500.00
- If no winner in 52 numbers, continue to play for - - - - 100.00
- Add one number each week until \$500.00 is won
- ** SPECIAL GAMES - Cards sell for 25¢ each or 5 for \$1.00
- a). IF WON ON 5-20, revert back to 46 numbers
- b). " " " " " " 20 "
- c)/ " " " " " " 52 "

ALL PROCEEDS ARE USED FOR YOUTH WORK AND COMMUNITY ACTIVITIES

7 Numbers