

# SCG Presentation for Gambling in Iowa webinar

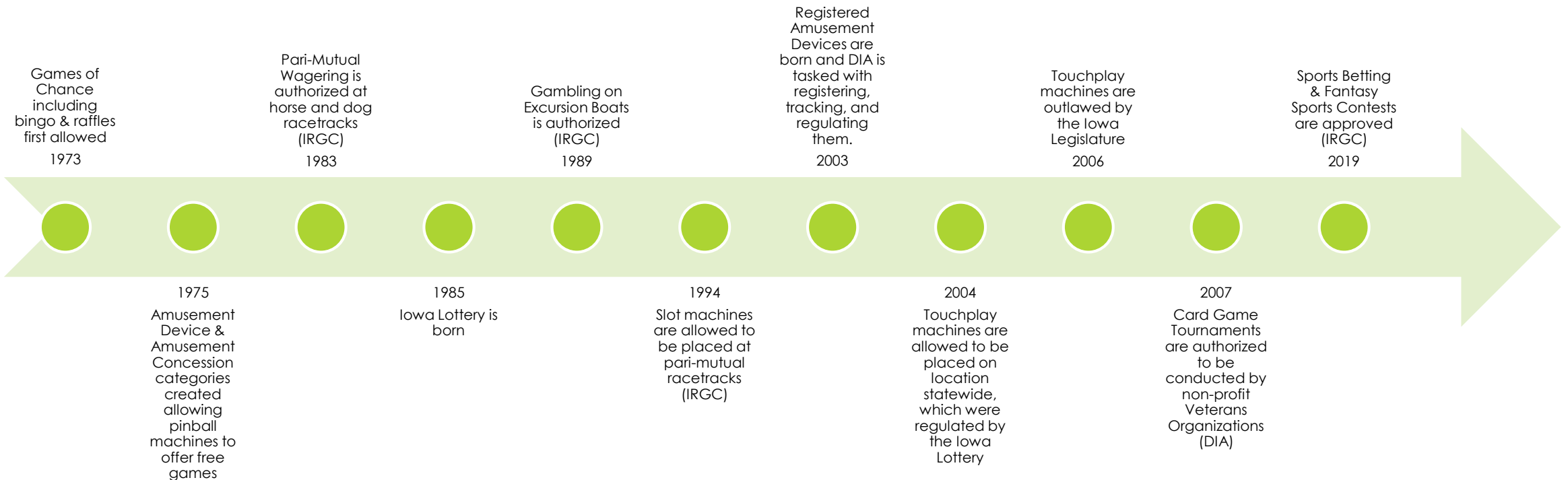
**DAN HORNER-CHIEF, SOCIAL & CHARITABLE GAMBLING UNIT**

March 17, 2021

# History of Gambling in Iowa

- ▶ The way the Iowa Code is structured, gambling in Iowa is illegal and only permissible if authorized by a specific statutory exception.
- ▶ All gambling was prohibited in Iowa from statehood in 1846 until 1972. Even pinball was considered gambling by the 1963 Iowa Supreme Court if the device awarded free games.
- ▶ In 1971 the Iowa Attorney General had a catholic church festival shut down because of illegal charitable gambling.
- ▶ In 1972 the Iowa Attorney General concluded 9 of the carnival games on the midway of the Iowa State Fair had to be shut down because they constituted illegal gambling. Many bingo halls were also shut down around this time.
- ▶ These raids occurred despite the fact that these games had been operating for decades without repercussions.
- ▶ In 1972 the Iowa Legislature passed a joint resolution calling for a public vote to repeal the Constitutional ban on gambling. Later that year the public voted to approve this amendment to the Constitution.
- ▶ In 1973 the Legislature authorized games of chance such as bingo and raffles under the newly created Iowa Code chapter 99B.

# Gambling Expansion Timeline in Iowa





# Department of Inspections & Appeals (DIA)

- ▶ DIA was created in 1986 to coordinate and conduct various audits, appeals, hearings, inspections and investigations. The agency is charged with protecting the health, safety, and well-being of Iowans.
- ▶ In addition to Social & Charitable Gambling, DIA is responsible for licensing, regulating, and inspecting the following:
  - ❖ Restaurants
  - ❖ Hotels
  - ❖ Nursing homes
  - ❖ Hospitals
- ▶ Also, DIA staff conduct contested case administrative proceedings for nearly all state agencies and investigate alleged fraud in the state's public assistance programs.

# SCG's Role in the Gambling Landscape of Iowa

- ▶ DIA regulates all gambling that occurs within Iowa not specifically assigned to IRGC (Iowa Code chapters 99D, 99E, and 99F) or the Iowa Lottery (Iowa Code chapter 99G).
- ▶ Gambling is defined as “means any activity where a person risks something of value or other consideration for a chance to win a prize.”
- ▶ So all activities that involve prize, chance, and consideration fall into our purview if they aren't being conducted or overseen by the Iowa Lottery or IRGC (casinos, horse and dog racetracks, internet fantasy sports, and sports wagering).
- ▶ This means that even when your Kindergartner attends his school carnival and shoots a basket to win a pencil he is gambling per Iowa Code and the Department of Inspections & Appeals is the one that licenses these and many other gambling activities.

# Registered Amusement Devices (AD's)

- ▶ Registered Amusement Devices in their current form have been around since the early-mid 1990's, however DIA was not tasked with beginning to register and track them until 2003. An AD resembles a slot machine, however they cannot award cash. Tickets awarded as a prize for use of the AD may only be redeemed for merchandise sold in the normal course of business for that premise.
- ▶ In 2003 the industry was notified that they were required to register as Distributors as well as register each individual machine. We released our GMMS (Game Machine Management System) website for registering and tracking all of the devices. The website was also used to report revenues generated per device from 2006 to 2014.
- ▶ Over the years some restrictions have been adjusted. Here are the current ones:
  - Limit of 4 AD's per location.
  - Limit of 6,928 total AD's in Iowa.
  - Distributors have 10 days to notify DIA of the movement of each AD.
  - Newly purchased AD's may not be placed until registered with DIA and registration tag prominently displayed.
  - AD's are not allowed to play poker, blackjack, or keno.
  - AD's shall not award cash as a prize.
  - AD's may award merchandise or tickets or tokens valued at no more than \$50 per play or game.
  - Tickets or tokens awarded by an AD may be redeemed for merchandise of no more than \$50 per transaction.
  - Participants must be at least 21 years old.
  - Cost of registration—Distributors \$5,000 per year, Owners & Manufacturers \$2,500 per year, and AD's \$25 per year.

# Social & Charitable Gambling (SCG)

- ▶ SCG is made up of Charitable Gambling, Social Gambling, and Amusement Concessions.
- ▶ In order to conduct charitable gambling you must be a non-profit organization. Individuals or for-profit companies do not qualify. The non-profit must actually conduct the gambling and not just be the recipient of the proceeds.
- ▶ The purpose of charitable gambling is to benefit Iowans in need. The non-profit can either keep the funds raised within their organization or donate to other non-profits or individuals to be used for charitable, religious, educational, public, civic, or patriotic purposes.
- ▶ Licensed Social Gambling primarily occurs in bars. However it can and does occur in many other places as well. No one can profit from Social Gambling other than the winner(s). All funds generated must be paid back out.
- ▶ Amusement Concessions include games of skill or chance with an instant win possibility where, if the participant completes a task, the participant wins a prize. These are usually carnival games conducted by a person for profit.

# Charitable Gambling Activities

- ▶ Charitable Gambling consists of bingo, raffles, and games of skill and chance.
- ▶ In order to obtain a license the organization must be a non-profit in one of these categories:
  - An IRS approved 501(c)3, 4, 5, 6, 7, 8, 10, or 19 organization
  - A city, county, state, or federal government or governmental organization
  - A (K-12) school or school support group
  - A political candidate, party, or nonparty political organization
- ▶ There are 8 license types we sell that fit under Charitable Gambling: 14-day (\$15), 90-day (\$40), 180-day (\$75), 1-year (\$150), and 2-year Qualified Organization (\$150), Very Large Raffle (\$100), Bingo at a Fair or Festival (\$50), and finally Bingo/Electronic Raffle Manufacturer/Distributor (\$1,000).
- ▶ The allowances of the last three license types are fairly self-explanatory. The Qualified Organization (QO) licenses allow for unlimited very small and small raffles and one game night per calendar year. The 14-day and 2-year licenses also allow for bingo and games of skill or chance. All of the QO licenses also allow for one large raffle per calendar year except for the 1-year which allows for eight of them.
- ▶ A game night is an event where casino-style games may be conducted except for slot machines over a period of up to 24 hours.



# Social Gambling Activities

- ▶ DIA sells two Social Gambling licenses; one for beer and liquor establishments (\$150) and one for all other public places (\$100). The public places license is usually obtained by a pool hall or community center that doesn't serve alcohol.
- ▶ Both licenses allow the patrons to socially gamble amongst themselves where no one wins or loses over \$200 in a 24-hour period of time. Everyone involved in the game must have a bona-fide social relationship with everyone else involved. The bar or premise cannot have anything to do with organizing, conducting, or promoting the game.
- ▶ These games include small stakes card and parlor games such as cribbage, euchre, hearts, darts, and billiards.
- ▶ Participants must be at least 21 years old.
- ▶ Bars that have a Social Gambling license-Beer & Liquor Establishments license are the only ones allowed to conduct a Sports Betting Pool (SBP) for the Super Bowl or other sports games. SBP's are required to be in grid format and are usually 10x10 (see example on the next slide). Participants put their name in a square and after all 100 squares are filled up the bar randomly assigns numbers on the left and across the top of the grid. The winners are usually determined by the score of the game at a certain point (quarter, half, final, etc). All money taken in must be paid out to the winners.
- ▶ Social Gambling also occurs on the golf course, in a friend's basement, or in your office during NCAA tourney time. While DIA does not license those wagers they are still subject to limitations in Iowa Code.

# Sports Betting Pools (SBP)

10 x 10 Sports Betting Pool

Cost per square \_\_\_\_\_

Maximum squares per person \_\_\_\_\_

How the top and side numbers  
are assigned \_\_\_\_\_

How is the pool paid out and in what  
increments (ex. Inning, quarter, half, etc..) \_\_\_\_\_

What sports are the betting pools used for \_\_\_\_\_


Maximum cost/square = \$5  
Maximum total/pool = \$500  
Maximum cost/person = \$5  
Each grid is only good for a single game.

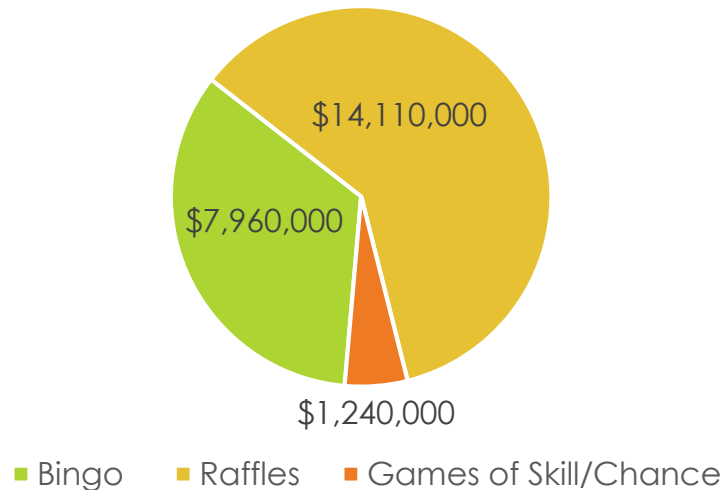
# How to Apply

- ▶ Paper applications may be obtained at <https://dia.iowa.gov/gambling-amusement/social-charitable-gambling>
- ▶ Our on-line licensing system is slated to be up and going this summer. As of now only Annual Gambling Reports may be submitted on-line.

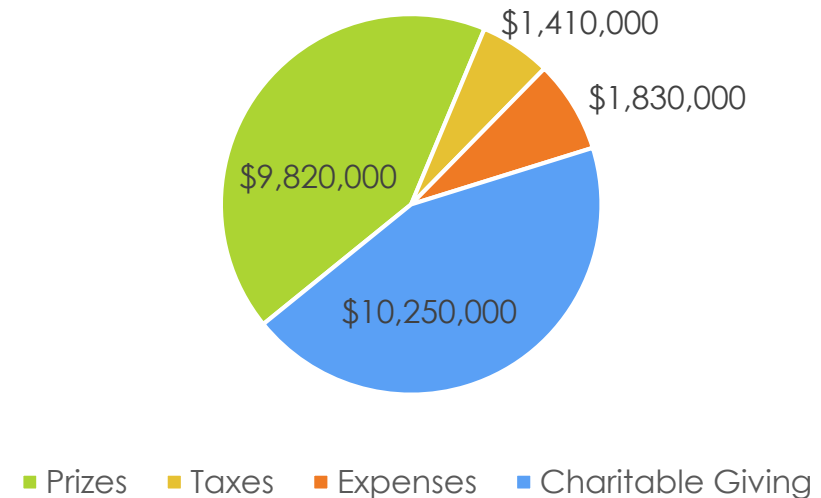
# Annual Gambling Reports

All current charitable gambling licensees are required to submit an Annual Gambling Report each January for the preceding calendar year's activities. These reports break down where every dollar of the proceeds went.

2019 Gambling Revenues  
Total = \$23,310,000



2019 Gambling Expenditures  
Total = \$23,310,000





# Enforcement

- ▶ DIA actively investigates and acts on complaints received from the public directly as well as ones forwarded by the Iowa Lottery, IRGC, and other state agencies. The Department also has the ability to take administrative actions if a license is involved. Educational warning letters or cease and desist letters are used in other circumstances.
- ▶ DIA also works collectively with the Division of Criminal Investigation (DCI), the Alcoholic Beverages Division, and local law enforcement to assist in investigations. If circumstances warrant, DCI is available to shut down illegal gambling activities and issue criminal citations.

# How the Gambling Landscape is Changing in Iowa

- ▶ After 10+ years of little to no gambling expansion things seem to be picking up recently.
- ▶ Over the last 2 years Sports Betting & Fantasy Sports Contests were legalized.
- ▶ Then in 2020 the COVID-19 pandemic caused all large events and gatherings to be cancelled. There is interest from some in legalizing on-line raffles as that limits or eliminates the need of face to face interactions with supporting individuals and groups.
- ▶ “Skill” based Amusement Devices are also popping up unregistered in many locations right now. While it is unknown whether some of these games are truly predominately skill-based or rather predominately chance-based they may cause a change in legislation to clear this up.

# Contact Info

Licensing and General Questions  
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