

**INTERIM REPORT OF THE
JOINT SUBCOMMITTEE STUDYING**

**Virginia's Current Bingo
and Raffle Statutes**

**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA**



SENATE DOCUMENT NO. 63

**COMMONWEALTH OF VIRGINIA
RICHMOND
1994**

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**REPORT OF THE
JOINT SUBCOMMITTEE STUDYING
VIRGINIA'S CURRENT BINGO AND RAFFLE STATUTES**

**To
The Governor and
The General Assembly of Virginia**

**Richmond, Virginia
May 1994**

**TO The Honorable George Allen, Governor of Virginia
and
The General Assembly of Virginia**

I. STUDY AUTHORITY AND SCOPE

Senate Joint Resolution No. 195 (attached as Appendix A), agreed to during the 1993 Session of the General Assembly, established a joint subcommittee to study the Commonwealth's statutes relating to bingo and raffles. The resolve clause in the resolution directed the subcommittee to study the (i) rental fees paid to bingo facility owners; (ii) percentages of profits actually returned to charitable organizations, and (iii) bogus charities acting as fronts for illegal bingo operations.

The subcommittee was comprised of nine members. Three members of the Senate appointed by the Senate Committee on Privileges and Elections; four members of the House of Delegates appointed by the Speaker of the House; and two members appointed by the Governor, one of whom is a representative of local government and one a citizen of the Commonwealth at large.

II. BACKGROUND

The operation of bingo games by charitable organizations was legalized by the General Assembly in 1973. At that time, an exception to the general prohibition against gambling was created for bingo games and raffles under certain circumstances. As originally drafted, voluntary fire departments and rescue squads, recognized by an ordinance or resolution as part of the safety program of the political subdivision where the voluntary fire department or rescue squad was located, were authorized to conduct bingo games and raffles. Additionally, certain nonprofit organizations which had been in existence continuously for two years immediately prior to seeking a bingo or raffle permit were authorized to conduct bingo games and raffles under the original law. These nonprofit organizations were identified as:

- (i) A corporation, trust, church, association, community chest, fund or foundation organized and operated exclusively for religious, charitable, scientific, literacy, community or educational purposes;
- (ii) Posts or associations of war veterans or auxiliary units or societies of any such posts or associations, if such posts, associations, units or societies are organized in the United States or any of its possessions;
- (iii) A fraternal society, order or association operating under the lodge system; or
- (iv) A corporation or association organized and operated exclusively for the restoration and maintenance of historic gardens and the general promotion of beautiful gardens.

Under the 1973 law, annual permits issued by local governing bodies were required as a condition precedent to the conduct of bingo games or raffles. No part of the gross receipts derived from any bingo games or raffles could inure, directly or indirectly, to the benefit of any private shareholder, member, agent or employee of the authorized organization (including voluntary fire departments and rescue squads, hereinafter included as organizations). Further, no organization could enter into any contract with any outside party for the purpose of organizing, managing or conducting bingo games or raffles, although an organization could delegate the authority of organizing, managing, or conducting bingo games or raffles to natural persons who were bona fide members of the organization. The original law also contained a prohibition on the use of signs advertising the game on the premises or within 100 yards of the

premises of the organization. Organizations were required to file records of all receipts and disbursements annually with the local commissioner of accounts, and such records were made a matter of public record. Penalties for violations included permit revocation, criminal sanctions (misdemeanor penalty with a fine up to \$1,000), and, in addition to the criminal penalty, the local Commonwealth's attorney could seek an injunction for up to three years.

House Joint Resolution No. 115, agreed to during the 1978 Session of the General Assembly, directed a joint subcommittee of the House and Senate Committees on General Laws to undertake a comprehensive study of the bingo laws of the Commonwealth.¹ The passage of House Joint Resolution No. 115 grew out of concern that large amounts of money were exchanged in the course of bingo games and that there was a significant lack of uniformity from one locality to another in the control of bingo operations. Inconsistencies, ranging from permit issuance procedures and the conduct of bingo games, to variations in records of receipts when compared to reports of disbursements, also contributed to the creation of the study. It was felt that the looseness with which the original bingo law was drafted was the primary cause of the lack of uniformity. As a result, bingo operations were essentially an unregulated exchange of large sums of money.²

In its final report, the joint subcommittee found that although most organizations conducting bingo games did so within the intent and spirit of the law, a small percentage of organizations took advantage of the lack of regulation and used the law for personal gain. As a result, the joint subcommittee recommended the repeal of the original bingo law and replaced it with a more comprehensive statutory scheme which is still the law today.

The 1979 rewrite of the Commonwealth's bingo laws included provisions which (i) added working definitions of the terms "bingo," "organization," "instant bingo," and "raffles"; (ii) created formal permitting procedures, rules of operation, record keeping, and the use of standardized forms; (iii) limited the conduct of bingo games to two days per week; (iv) restricted the playing of instant bingo to being a part of any regular bingo game; (v) established a cap on the amount of prize awards; (vi) required audits by the local governing body; (vii) added a criminal penalty (Class 6 felony) for violations with the intent to defraud; and (viii) gave any person or organization aggrieved by the denial, issuance, suspension or revocation of a permit a right to a hearing before the local governing body.³

¹1978 Acts of Assembly, House Joint Resolution No. 115.

²Report of the Joint Subcommittee of the House and Senate General Laws Committees on the Bingo Laws of the Commonwealth, House Document No. 32 (1979).

³*Id.*

III. OVERVIEW OF THE CURRENT BINGO AND RAFFLE LAW

As indicated earlier in this report, the basis for the current bingo and raffle law was the 1979 rewrite of the law following a comprehensive bingo study conducted in 1978. What follows is a summary of Virginia's bingo and raffle law currently in effect.

- § 18.2-340.1 Authorizes the conduct of bingo, including instant bingo and jackpot, raffles, and duck races.
- § 18.2-340.2 Requires annual permits from the governing body of each city or county, or any town with a population of more than 2,500, which has adopted an ordinance, prior to the commencement of any bingo game or raffle.
- § 18.2-340.2 Requires a reasonable investigation by the locality prior to issuance of a permit. Application fees and additional charges may be waived by the local governing body.
- § 18.2-340.2 Requires the use of a uniform application form which may be expanded by the locality to include other information.
- § 18.2-340.2:1 Authorizes localities to adopt an ordinance which limits the number of organizations for which a person may manage, operate, or conduct bingo games or raffles.
- § 18.2-340.3 Sets mandatory requirements organizations must meet prior to issuance of any permit. These requirements include:
- ◆ The organization must be in existence and meet on a regular basis in the locality where application is made at least two years immediately prior to applying for a permit.
 - ◆ Organizations are limited to one permit except in certain cases (e.g., tax exempt organizations and "booster clubs").
 - ◆ Organizations must be nonprofit for at least two years immediately prior to applying for a permit.
 - ◆ Organizations with gross receipts in excess of \$75,000 in any calendar year must have tax exempt status under § 501(c)(3) of the Internal Revenue Code.
 - ◆ Organizations must designate an individual responsible for filing annual or quarterly financial reports.

- § 18.2-340.4 Limits the conduct of bingo games to no more than two calendar days in any calendar week; authorizes the issuance of a special permit to conduct bingo more frequently in cases of carnivals or fairs; and requires organizations to accept cash or checks in payment for player participation in bingo.
- § 18.2-340.5 Authorizes the conduct of "instant bingo" and sets limits (i) on gross receipts from instant bingo and (ii) age of player. Also authorizes localities to adopt an ordinance prohibiting the playing of "instant bingo."
- § 18.2-340.6 Requires complete records of all receipts and disbursements to be kept and filed annually under oath. Annual financial reports must contain certificate by board of directors that the proceeds have been used for those lawful, charitable, etc., purposes for which the organization is specifically chartered.
- § 18.2-340.6 Requires organizations with annual gross receipts in excess of \$250,000 to also file an opinion of a licensed, independent CPA that certain requirements have been met. Establishes certain other record-keeping requirements.
- § 18.2-340.7 Requires all financial reports (except organizations with gross receipts of less than \$2,000) to be audited by a local official; authorizes localities to charge a reasonable audit fee.
- § 18.2-340.8 Authorizes a locality to adopt an ordinance, not inconsistent with bingo law, which regulates any bingo game or raffle within such jurisdiction.
- § 18.2-340.9 Enumerates additional prohibited practices:
- ◆ Except for operating costs, all proceeds must be used for charitable purposes.
 - ◆ No contracts can be made with outside parties for organizing, managing, or conducting bingo games or raffles.
 - ◆ The payment of rents is limited to fair market rental value.
 - ◆ No building or premises used to conduct bingo games can be utilized more than two calendar days in any calendar week; except by special permit.

- ◆ Except for (i) clerical assistants to organizations made up of deaf or blind persons, (ii) members of civic and fraternal groups or (iii) employees of a corporate sponsor of a qualified organization, only bona fide members shall participate in the management, operation or conduct of any bingo game or raffle.
- ◆ Certain convicted felons are prohibited from managing, operating or conducting bingo games or raffles.
- ◆ No organization may contract with or employ any of its members regarding the sale of bingo supplies or equipment.
- ◆ Prize limits are:
 - Bingo Door Prize – \$25
 - Regular/Special Bingo Game – \$100
 - Instant Bingo – \$500
 - Bingo Jackpot – \$1,000
 - Raffle Prizes – \$100,000.

- § 18.2-340.10 Authorizes localities to deny, suspend or revoke a permit of any organization found not to be in strict compliance. Sets criminal penalties for violations of the article as Class 1 misdemeanors. The penalty for misuse of proceeds (18.2-340.9 A) is Class 6 felony.
- § 18.2-340.11 Provides for injunctive relief, in addition to criminal penalty, to be instituted by the Commonwealth's attorney or appropriate city or county attorney.
- § 18.2-340.12 Gives due process guarantees (notice and hearing by local governing body) to organizations for the denial, suspension or revocation of a permit. Grants a right of appeal by an aggrieved organization to the appropriate circuit court.
- § 18.2-340.13 Authorizes the joint operation of a bingo game by qualified organizations under certain circumstances.

IV. WORK OF THE JOINT SUBCOMMITTEE

Allegations of illegal bingo operations in Virginia provided the fodder for numerous media accounts, some of which characterized the conduct of bingo as the perfect white collar crime due to unscrupulous bingo operators skimming proceeds, leasing facilities to charities at greatly inflated rental rates, and forming bogus charities as fronts for illegal bingo operations. Because of the complexity of these issues, the joint subcommittee met six times to consider its charge under SJR 195.

Convening its initial meeting in August to get a perspective on the breadth of bingo abuses, the joint subcommittee heard testimony from several local government officials responsible for administering the Commonwealth's bingo and raffle laws. Several localities, including the Counties of Hanover, Chesterfield, and Henrico, and the City of Richmond, reported that they have been working together to address the uniform administration of bingo laws. Focusing on the "bottom line" – bingo and raffles as a mechanism to raise money for charities – these localities have worked to address their shared problems as well as jointly recommending legislation which ensures that the bottom line will be met. These localities suggested the following areas of change:

- Clarify those charitable purposes for which bingo proceeds may be used;
- Limit the number of charitable organizations for which a person may operate bingo games;
- Align effective dates for statutory change to the reporting requirements for charities;
- Specify officials responsible for enforcement;
- Clarify what games are permissible and when they may be played;
- Reevaluate allowing corporate sponsors to operate bingo games and raffles; and
- Licensure of manufacturers, distributors, and landlords.

Testimony from manufacturers and distributors of bingo supplies indicated that the number one weakness in Virginia's bingo laws lies in their enforcement. The joint subcommittee was cautioned, however, about restraint of trade considerations should a licensing program for suppliers and others in the bingo industry come to fruition.

Concurrently, a special grand jury in Henrico County was deliberating other specific problems experienced there, including rental rates charged for bingo facilities and control of bingo operations. The special grand jury issued its report following indictments handed down by a regular grand jury involving 68 felony and misdemeanor charges of varying degrees of bingo corruption and the alleged theft of more than \$1 million in bingo proceeds.

In September, the joint subcommittee conducted a public hearing in Richmond to receive comments from interested persons on the operation and management of bingo and raffle games in the Commonwealth. The list of participants in the public hearing included local government officials, representatives of national charity gaming trade associations, bingo players, bingo game operators, and manufacturers of bingo supplies. Recommendations made at the public hearing included:

- Repeal the statutory exemption which permits certain out-of-state organizations to operate bingo games and raffles in Virginia;
- Authorize localities to apply more rigid standards in their determination of eligibility of bingo applicants;
- Adopt reasonable regulation of bingo to ensure integrity in the conduct of bingo games by establishing standards for the manufacture of bingo paper and cards so that bingo supply inventory is controlled at the outset of each game;
- Prohibit the playing of "instant bingo";
- Prohibit charitable organizations from leasing equipment, supplies, or a building from professional bingo operators;
- Prohibit lessors of bingo halls from participating in the conduct, management, or operation of bingo games;
- Establish statutory methods to determine fair market rental values;

- Increase the gross receipts that can be derived from "instant bingo" in order to increase the return to charities;
- Increase the days-per-week allowed for the playing of bingo from two to three to allow more charities to participate and to increase the return to the charitable organizations;
- Specify the local government official responsible for the enforcement of bingo laws; and
- Adopt the North American Gaming Regulators Association's (NAGRA) standards on bingo.

In addition, Ken Thorson, Director of the Lottery Department, cautioned the joint subcommittee that (i) regulation of any form of legalized gambling is an up-hill struggle to maintain the integrity of the game, (ii) ensuring the security of pull-tabs is expensive and not consistent with profit motive, and (iii) casino nights, while innocent fun, do have ramifications involving the participation of Native Americans in gaming activities in competition with the State.

The joint subcommittee scheduled its third meeting in October in conjunction with the annual fall meeting of the North American Gaming Regulators Association (NAGRA) to learn how bingo is regulated in other states. Chairman Colgan opened the meeting by indicating that it was not true that the joint subcommittee was going to do away with bingo; instead, the subcommittee wants to ensure that bingo is played within the law. He indicated that the purpose of bingo was to serve charities and not to enrich bingo operators.

The joint subcommittee heard testimony from several representatives of NAGRA member regulators concerning their experience with charitable gaming, including the Internal Revenue Service and regulators from the states of Montana, Massachusetts, Nebraska, Washington, and Minnesota. The charitable gaming programs in these states share three principal characteristics. First, charitable gaming is regulated at the state level, involving a state regulatory agency, as opposed to local regulation as is done in Virginia. Statewide regulation requires that the proper funding be in place to ensure that all aspects of bingo are adequately covered. Additionally, owners of commercial bingo halls are removed from all operation and management of bingo games—they must be landlords only, with no additional strings attached. Finally, a comprehensive licensing program has been adopted, providing for the licensure of bingo supply manufacturers, distributors, and professional employees, as well as the charitable organization itself.

A spokesman for the Internal Revenue Service indicated that one problem for his agency is that there is no centralized place in Virginia to get information

concerning charitable gaming. As a result, information obtained is often unreliable and hinders the conduct of IRS investigations and hence its assistance to Virginia's government officials and law-enforcement agencies.

The fourth meeting of the joint subcommittee was a work session at which proposed legislative recommendations were discussed and adopted for inclusion in a preliminary draft. Chairman Colgan directed that the draft be distributed to all persons on the study mailing list for review and comment when the joint subcommittee next met in December. The following proposals were incorporated into a preliminary draft.

1. Repeal the statutory exemption which permits localities to allow certain out-of-state organizations to operate bingo games and raffles in Virginia in favor of a requirement for a certain percentage (currently 50%) of the organization's membership to be Virginia residents.
2. Amend § 18.2-340.3 (3) to require nonprofit organizations to be in existence for at least five years prior to applying for a permit.
3. Increase the minimum age requirement (from 16 to 18 years) for the playing of instant bingo.
4. Prohibit landlords or owners of bingo halls (including sublessees) from (i) participating in the conduct, management, or operation of bingo games, (ii) being a supplier, or (iii) requiring by contract or otherwise that a particular supplier be used by the organization;
5. Establish statutory methods or authorize localities to determine fair market rental values. Note: localities currently are in the business of valuating property.
6. Amend the section prohibiting employees of corporate sponsors from operating bingo games.
7. Prohibit the acceptance of post-dated checks from bingo players.
8. Prohibit organizations from extending or accepting lines of credit as payment for playing bingo.

9. Clarify the local government official responsible for the enforcement of bingo laws (e.g. Commonwealth's attorney for criminal violations, city/county attorney for injunctive relief).
10. Adopt the North American Gaming Regulators Association's (NAGRA) standards on bingo and instant bingo.
11. Limit the number of charitable organizations for which a person may operate bingo games--make statute proactive.
12. Align effective dates for statutory change to the reporting requirements for charities.

Other issues considered by the joint subcommittee, and later delayed for further study, related to setting more rigid standards to be implemented by local governments for eligibility requirements for bingo permits, limiting time and occasion for the conduct of instant bingo, increasing criminal penalties, and clarifying permissible games. The joint subcommittee rejected, as moving in the wrong direction, suggestions to increase the gross receipts derived from instant bingo and to increase the number of days per week a charity may lawfully conduct bingo games.

In December, a public hearing was held on the draft legislation which was agreed to at the joint subcommittee's previous meeting. As a result of the comments received at the public hearing, the joint subcommittee amended its draft to remove NAGRA standards for the operation of bingo and instant bingo because the NAGRA standards do not fit into Virginia's bingo statutory scheme as it is currently written. The joint subcommittee felt, however, that inclusion of the NAGRA standards should be revisited as the study continues into its second year.

The draft legislation, amended as a result of comments proffered at the public hearing, was reviewed and adopted at the joint subcommittee's sixth meeting in January 1994.

In addition to the legislative recommendations discussed above, the joint subcommittee recommended that U.S. military bases located in the Commonwealth be requested, via resolution, to adhere to Virginia's laws concerning the conduct of bingo games. The latter recommendation came as a result of testimony that military bases unfairly compete with charities because they do not follow prize limits as required by Virginia law.

V. CONTINUATION OF THE STUDY

The joint subcommittee discussed whether it was advisable that bingo and raffle laws be administered by the State, thereby preempting localities from control. The State Police, the Lottery Department, and the Department of Taxation were suggested and briefly discussed as possible state agencies under which the control of bingo and raffles would fit. It was also suggested that a separate state agency be established to be responsible for the administration of the bingo. Aware of the complexities of transferring control of bingo to state government and its attendant issues, the joint subcommittee concluded that the study should be continued to determine the feasibility of transferring control of bingo and raffles from local government to state government.

The joint subcommittee extends its gratitude to everyone who contributed to a successful first year of study.

Respectfully submitted,

Charles J. Colgan, *CHAIRMAN*
Jay W. DeBoer, *VICE CHAIRMAN*
Joseph B. Benedetti
Edgar S. Robb
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Eric I. Cantor
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VI. APPENDICES

APPENDIX A: SENATE JOINT RESOLUTION NO. 195 (1993)

APPENDIX B: BINGO AND RAFFLE LEGISLATION SINCE 1988

APPENDIX C: BINGO AND RAFFLE IN THE NEWS: SELECTED ARTICLES

APPENDIX D: PROPOSED LEGISLATION

APPENDIX A

SENATE JOINT RESOLUTION NO. 195 (1993)

1993 SESSION ENGROSSED

SENATE JOINT RESOLUTION NO. 195

Senate Amendments in [] - February 2, 1993

Establishing a joint subcommittee to study Virginia's current bingo and raffle statutes.

Patrons—Colgan, Andrews, Barry, Benedetti, Cross, Houck, Lambert, Marsh, Robb, Russell, Schewel, Stosch, Walker and Wampler; Delegates: Brickley, Parrish and Rollison

Referred to the Committee on Rules

WHEREAS, in Article 1.1 of Chapter 8 of Title 18.2, the Commonwealth authorizes bingo and raffle operations under certain circumstances; and

WHEREAS, an 18-month investigation by the Pennsylvania Crime Commission revealed that bingo operations are riddled with fraud and are "the perfect white-collar crime"; and

WHEREAS, bingo operations gross over four billion dollars nationwide each year; and

WHEREAS, very little of the proceeds are actually donated to charitable causes such as in the City of Richmond where less than two percent of the four million dollars in the city's bingo gross receipts for last year went to charity; and

WHEREAS, unscrupulous bingo operators skim proceeds, lease property to charities at greatly inflated rental prices, form bogus charities as fronts for illegal bingo operations and control companies that supply bingo equipment; and

WHEREAS, in October 1992, a special grand jury was impaneled in Henrico County to investigate bingo abuses; now, therefore, be it

RESOLVED by the Senate, the House of Delegates concurring, That a joint subcommittee be established to study the Commonwealth's statutes concerning bingo and raffles. As part of its study, the joint subcommittee shall address the issues of (i) rental fees paid to bingo facility owners, (ii) percentages of profits actually returned to charitable organizations, and (iii) bogus charities acting as fronts for illegal bingo operations.

The joint subcommittee shall consist of nine members to be appointed as follows: three members of the [Senate to be appointed by the Senate Committee on Privileges and Elections; four members of the] House of Delegates to be appointed by the Speaker of the House; [two members of the Senate to be appointed by the Senate Committee on Privileges and Elections; and four two] members to be appointed by the Governor as follows: one representative of local government [; one representative of the Department of Agriculture and Consumer Services, and two citizens and one citizen] at large.

The joint subcommittee shall complete its work in time to submit its findings and recommendations to the Governor and the 1994 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

The indirect costs of this study are estimated to be \$8,885; the direct costs of this study shall not exceed \$4,860.

Implementation of this resolution is subject to subsequent approval and certification by the Joint Rules Committee. The Committee may withhold expenditures or delay the period for the conduct of the study.

APPENDIX B

BINGO AND RAFFLE LEGISLATION SINCE 1988

BINGO LEGISLATION SINCE 1988

1988

CHAPTER 230 OF THE 1988 ACTS OF ASSEMBLY. House Bill No. 1082 required an organization to designate on its annual application for a permit an individual who shall be responsible for filing the annual or quarterly financial report if the organization goes out of business or otherwise ceases to exist. House Bill No. 1082 also provided that the financial accounting of the organization shall include a record of all money in the possession of the organization that was derived from bingo or instant bingo, regardless of when the money was received. It revises the method by which the local governing body establishes the audit fee for audits conducted by a local official.

1989

CHAPTER 72 OF THE 1989 ACTS OF ASSEMBLY. House Bill No. 1618 specified that organizations sponsoring bingo games accept only cash in payment of any charges or assessments for players to participate in bingo games.

CHAPTER 76 OF THE 1989 ACTS OF ASSEMBLY. House Bill No. 1764 provided that organizations may conduct "instant bingo" as a part of bingo games only at the location and times specified in the bingo application permit for regular bingo games. Current law then allowed instant bingo only while a regular bingo game was in progress.

CHAPTER 113 OF THE 1989 ACTS OF ASSEMBLY. Senate Bill No. 745 authorized local officials to perform certain duties pertaining to the regulation of bingo games and raffles, including charging a fee for the cost of processing applications for permits and issuing annual and renewal permits and required any organization having annual gross receipts from bingo games and raffles in excess of \$200,000 to submit an opinion by a licensed certified public accountant regarding the organization's receipts and disbursements and use of proceeds of the games and raffles.

CHAPTER 259 OF THE 1989 ACTS OF ASSEMBLY. Senate Bill No. 672 removed the prohibition against placing signs advertising bingo games within 100 yards of the exterior of the premises where the game is held, thus permitting organizations to engage in this type of advertising. The bill clarified that an organization may use gross receipts derived from bingo games and raffles for the purpose of publicizing the time and place games and raffles are to be held.

1990

CHAPTER 57 OF THE 1990 ACTS OF ASSEMBLY. House Bill No. 432 extended the filing date of financial reports pertaining to bingo and raffles from November 1 to December 1, thereby allowing organizations 60 days instead of 30 days to complete and file reports.

CHAPTER 96 OF THE 1990 ACTS OF ASSEMBLY. House Bill No. 588 clarified that the licensed certified public accountant issuing an opinion to accompany the annual financial report of an organization having annual gross receipts from bingo games or raffles in excess of \$200,000 be independent. The bill specified the types of disbursements to be included in the report and clarified that information in the report be presented fairly, in all material respects, and that the proceeds be used, in all material respects, for the lawful religious, charitable, community, or educational purposes for which the organization is chartered or organized. The bill also clarified that the opinion is in addition to the audit and audit fee required by § 18.2-340.7.

CHAPTER 903 OF THE 1990 ACTS OF ASSEMBLY. Senate Bill No. 160 allowed a local governing body to increase the audit fee for financial reports filed by organizations conducting bingo games and raffles. The bill provided that the fee not exceed the actual cost of the audit, if the audit is conducted by an independent auditor or accountant, or two percent of (i) the gross receipts reported pursuant to § 18.2-340.6 and (ii) the interest income on money the organization has received from bingo or instant bingo if the audit is conducted by a local official designated by the governing body. The bill increased the percentage level from one to two; current law then authorized only one percent of items (i) and (ii). It specifically provided that all audit fees received be separately accounted for and used only for auditing and regulating bingo games and raffles. The bill also provided that the use of the official Virginia Pick-3 number not be adverse to the definition of "raffle."

CHAPTER 182 OF THE 1990 ACTS OF ASSEMBLY. Senate Bill No. 159 extended the filing date of financial reports pertaining to bingo and raffles from November 1 to December 1. This allowed organizations 60 days instead of 30 days to complete and file reports.

CHAPTER 557 OF THE 1990 ACTS OF ASSEMBLY. House Bill No. 363 allowed organizations composed of or for deaf or blind persons to employ persons to assist in the management, operation and conduct of bingo games or raffles if the organization has in force fidelity insurance written by an insurer licensed to do business in Virginia. At that time, there was a prohibition against the operation of bingo games and raffles by nonmembers of the sponsoring organization and the receipt of remuneration for such services.

CHAPTER 443 OF THE 1990 ACTS OF ASSEMBLY. Senate Bill No. 134 clarified that checks may be accepted at the option of the sponsoring organization for payment of charges or assessments for bingo game players. Current law then provided that only cash be accepted. Although the term "cash" has been interpreted to include checks for the purchase of tickets under the Lottery Law, an Attorney General's Opinion issued on

CHAPTER 811 OF THE 1993 ACTS OF ASSEMBLY. House Bill No. 2313 provided that a local governing body may require a percentage of the gross receipts from all bingo games or raffles be used for the purpose for which the organization was organized. The bill also (i) reduced the amount, from \$500,000 to \$250,000, for which an opinion of an independent certified public accountant is required and (ii) limited who may conduct or operate bingo or raffles on behalf of an organization.

CHAPTER 812 OF THE 1993 ACTS OF ASSEMBLY. House Bill No. 2316 increased, from 33 1/3 to 50 percent, the amount of gross receipts an organization may have from instant bingo as a percentage of its annual bingo operations.

CHAPTER 973 OF THE 1993 ACTS OF ASSEMBLY. Senate Bill No. 691 authorized local governments to adopt an ordinance which limits the number of organizations for which a person may conduct bingo games or raffles. The bill also prohibited any person from managing or operating a bingo game or raffle under certain circumstances, and decreased the amount of gross receipts, from \$500,000 to \$250,000, for which an opinion from an independent certified public accountant is required.

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APPENDIX C

BINGO AND RAFFLE IN THE NEWS: SELECTED ARTICLES

October 20, 1989, concluded that "cash" means ready money or currency under the bingo laws. The bill clarified that checks may be accepted.

1991

CHAPTER 586 OF THE 1991 ACTS OF ASSEMBLY. House Bill No. 1669 increased the gross receipts cap for bingo games or raffles from \$200,000 to \$250,000 for which an organization filing a report of gross receipts must attach an opinion of a licensed independent certified public accountant.

CHAPTER 657 OF THE 1991 ACTS OF ASSEMBLY. Senate Bill No. 698 allowed local charitable organizations to obtain permits to hold bingo games and raffles if the organization met on a regular basis in or adjacent to the county, city or town where the permit was obtained. At that time, permits to hold bingo games and raffles were valid only in the county, city or town where the organization held its regular meetings.

1992

CHAPTER 43 OF THE 1992 ACTS OF ASSEMBLY. House Bill No. 35 expanded the definition of legal raffles to encompass the use of devices using displays or other indications by which a winner may be chosen. The \$100,000 value limit on all prizes during a calendar year was increased to \$250,000.

CHAPTER 60 OF THE 1992 ACTS OF ASSEMBLY. House Bill No. 263 increased the gross receipts amount to \$500,000 for which an audit by a licensed independent certified public accountant is required.

CHAPTER 290 OF THE 1992 ACTS OF ASSEMBLY. House Bill No. 574 provided an alternate certification of tax exempt status for nonprofit organizations with gross receipts in excess of \$75,000 per year from bingo games. The bill provided that local governing bodies, if requested by the nonprofit organization, may issue a determination of tax exempt status within 60 days. Such certification, if issued, was valid until the Internal Revenue Service issued its determination or for eighteen months, whichever is earlier. The bill allowed local governing bodies to charge a fee for such determination.

CHAPTER 328 OF THE 1992 ACTS OF ASSEMBLY. Senate Bill No. 163 provided that the local governing body may require an organization applying for a bingo permit to demonstrate that 50 percent of its membership resides in the Commonwealth, in order to obtain the requisite permit. To make this determination, the governing body may require the organization to furnish a complete membership list.

CHAPTER 357 OF THE 1992 ACTS OF ASSEMBLY. House Bill No. 1015 authorized any local governing body, by ordinance, to waive the filing of an opinion of a licensed independent certified public accountant for any organization having annual gross receipts from bingo games or raffles in excess of \$250,000, if the local governing body has required an independent accounting procedure to be followed and has designated a local official to promulgate such procedure.

CHAPTER 670 OF THE 1992 ACTS OF ASSEMBLY. Senate Bill No. 95 authorized the City of Richmond to require an organization applying for a bingo permit, as a condition of receiving the permit, to use a predetermined percentage of its bingo proceeds for those lawful religious, charitable, community or educational purposes for which the organization is specifically chartered or organized. The percentage shall be uniformly applied, and shall be determined by the city.

CHAPTER 629 OF THE 1992 ACTS OF ASSEMBLY. Senate Bill No. 392 provided that the maximum prize for a single "instant bingo" card shall not exceed \$500.

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CHAPTER 80 OF THE 1993 ACTS OF ASSEMBLY. House Bill No. 1694 exempts organizations with gross receipts of less than \$2,000, for the designated reporting period, from the audit requirements of § 18.2-340.7. Section 18.2-340.7 at that time required the financial reports of all organizations to be audited by a local official, regardless of the amount of gross receipts.

CHAPTER 270 OF THE 1993 ACTS OF ASSEMBLY. Senate Bill No. 619 allowed the corporate sponsors of a charity to conduct bingo games and raffles on the charity's behalf.

CHAPTER 397 OF THE 1993 ACTS OF ASSEMBLY. House Bill No. 1214 provided that an organization which had obtained a raffle permit may conduct the drawing either in the jurisdiction which issued the permit or in the jurisdiction in which a majority of the raffle tickets were sold. The bill also stipulated that employees of corporate sponsors and members of civic and fraternal groups may participate in the management, operation or conduct of a bingo game or raffle.

CHAPTER 513 OF THE 1993 ACTS OF ASSEMBLY. House Bill No. 1215 defined duck races and included them in a category of games of chance which may be conducted legally by charitable organizations.

CHAPTER 727 OF THE 1993 ACTS OF ASSEMBLY. House Bill No. 2256 allowed the corporate sponsors of a charity to conduct bingo games and raffles on the charity's behalf.

03/06/93

RICHMOND TIMES-DISPATCH

Bingo hearing in Hanover is postponed

A court hearing scheduled for yesterday to determine whether the Hanover Society for the Deaf should be allowed to continue sponsoring bingo games has been postponed until Wednesday.

The society is appealing a decision by Hanover County Administrator John F. Berry denying the renewal of the organization's bingo permit.

Berry refused to renew the society's bingo permit in January, saying the bingo games were more for the benefit of the society's officers, Robert and Norman Eddleton, than for the deaf.

The society's games grossed \$800,152 in 1992, but the organization gave only \$322 of that money directly to assist hearing-impaired people, Berry said.

Circuit Judge Richard H.C. Taylor is scheduled to hear the appeal at 11 a.m. Wednesday in Hanover Circuit Court.

County allows group's bingo pending outcome of hearing

Hanover County officials have decided to allow the Hanover Society for the Deaf, which has been denied a bingo permit, to sponsor games through the weekend pending a Monday hearing.

The organization's bingo permit, which was obtained in 1978, was denied last week by County Administrator John F. Berry. He said the non-profit organization spent only \$322 last year to directly assist hearing-impaired people. The group also was making mortgage payments at a 20 percent interest rate to the mother of the group's officers.

The Society for the Deaf called off a request for Circuit Court intervention yesterday when county officials decided to allow the games to go on, pending an administrative hearing before Berry on Monday morning.

"It will give us time for a fair airing of our case," said Robert S. Ganey, the group's attorney. "If it is favorable to us, we will continue bingo games. If it is not, we will take the appropriate legal appeals."

The county continued the group's permit until Tuesday to give Berry a chance to review the case.

Ganey said the society, which is run by the Eddleton family of western Hanover, has taken steps this week to correct problems. He did not provide specifics.

"We're taking steps to want to make sure we're in strict compliance with the code," he said. "We hope to satisfy all of their concerns by Monday."

For instance, the deed to the Jamaira Club, where games are played, was legally transferred to the group on Thursday.

The building, on U.S. 1 just south of Lewistown Road, was owned by Evelyn Eddleton, who is the mother of the society's president and secretary-treasurer. The society paid her \$53,539.20 from bingo receipts for mortgage on the building, at a 20 percent interest rate, in 1992.

The president is Norman D. Eddleton, and the secretary-treasurer, who is responsible for bingo operations and financial reporting, is his brother, Robert D. Eddleton.

If the group owns the building — as it does now — it can hold two weekly games of its own and can rent out the building for two additional games each week. Under state law, bingo games cannot be held in the same location more than twice a week unless a charitable organization owns the building.

The property had not been legally transferred from Mrs. Eddleton to the society because the Eddletons did not want the building to leave the family, according to the county Sheriff's Department, which is investigating the group.

Of the \$800,152 collected in gross receipts in 1992, the group reported that \$78,719 went toward charitable contributions, including mortgage payments and other expenses.

Taking the mortgage and other expenses into account what Berry described as non-charitable expenses, he said the group actually donated only \$3,509 — or 0.4 percent — to charity. Of that amount, \$322 went directly to the hearing-impaired.

Will cut rent 50%, bingo parlor says

The Metropolitan Junior Baseball League has agreed to cut in half the rent it charges charities that sponsor games at its bingo parlor in South Richmond.

In a last-minute settlement signed yesterday just before a court hearing, Metropolitan also agreed to give 10 free bingo sessions to each group that currently plays at the parlor.

Four organizations are licensed to play at Metropolitan this year. Representatives of those charities also signed the agreement.

Metropolitan agreed to charge no more than \$72,000 a year to rent its building at 1700 Broad Rock Blvd. Last year the league made \$115,790 in rent; in 1991 it made \$148,125.

The five groups that rented space from Metropolitan grossed about \$2 million in each of the past two years. In 1992, they gave 0.6 percent of that amount to charity, and in 1991, 1.3 percent.

Judge Robert L. Harris accepted the settlement. He noted that the Metropolitan parlor is valued at about \$230,000 and took in more than that in rent in just two years.

"That would be one good investment," Harris said. "All of us would like to have a building with that type of return."

State law makes it illegal to charge or pay rents in excess of fair market value. Metropolitan has been charging \$22 a square foot for rent but has agreed to charge no more than \$11.

Yesterday's action settled a civil bill of complaint the commonwealth's attorney's office had filed against Metropolitan and the five organizations that played bingo games there in 1990 and 1991. The civil bill of complaint demanded that Metropolitan and those five charities explain why rent is so high and profit so low.

The commonwealth also had demanded that Metropolitan reimburse \$100,000 in excessive rents to the bingo organizations. The free bingo sessions agreed to yesterday were in lieu of that reimbursement.

Harvey Latney Jr., the lawyer for four of the defendants, said none of the defendants was admitting doing anything wrong. "We are not rolling over and playing dead," he said.

In fact, Metropolitan will be able to raise the rent in the future as long as that increase is tied to the Consumer Price Index.

Even with their rents cut in half, none of the groups that rent from Metropolitan would have made enough for charity in previous years to satisfy an ordinance currently being considered by the City Council.

That ordinance would require bingo operators to earn at least 6 percent of their gross receipts for charity. In 1991, for example, the groups would have earned only about 5 percent for charity if the settlement had been in effect.

Bingo is allowed in Virginia only to benefit charitable, religious or educational purposes.

Bingo permit is rejected in Hanover

A bingo permit has been denied to the Hanover Society of the Deaf for what County Administrator John F. Berry called "gross and excessive violations."

A western Hanover family runs the non-profit organization, which also makes mortgage payments on the bingo location at 20 percent interest to the mother of the group's officers.

Berry denied the renewal last week. He said the group's twice-weekly bingo games grossed \$800,152 in 1992, yet the organization spent \$322 last year to directly assist hearing impaired people.

The group and its officers are being investigated by the county Sheriff's Department and the Commonwealth's Attorney's office.

"There are a number of glaring irregularities associated with their bingo operations," Sheriff V. Stuart Cook said.

The group, which has operated bingo games in Hanover since 1978, holds games Friday and Saturday nights at the Jamaica Club on U.S. 1 just south of Lewistown Road.

Berry's permit denial has shut down the games, but the group is asking Circuit Court Judge Richard H.C. Taylor to grant an injunction allowing it to continue operating. A hearing is scheduled for this morning.

The group, in a legal brief filed with the court, said it will be irreparably harmed if it is not allowed to hold bingo games this weekend.

The Society for the Deaf is run by members of the Eddleton family. The group's president is Norman D. Eddleton, and his brother, Robert D. Eddleton, is the secretary-treasurer and responsible for bingo game operations and financial reporting.

Norman Eddleton refused to comment yesterday; his brother could not be reached. Their attorney, Robert S. Ganey, said his clients told him not to make any comments.

"The society's bingo operation appears to be operated by and for Eddleton family members," Berry wrote in his letter denying the permit.

The building where the games are played is owned by Evelyn Eddleton, Norman and Robert Eddleton's mother. Mrs. Eddleton could not be reached for comment.

In 1992, the group paid her \$53,539.20 out of bingo receipts for mortgage on the building at a 20 percent interest rate.

"The interest rate is excessive and borders on outrageous, given the current market conditions," Berry wrote. "The society's refusal to refinance the mortgage leads to the conclusion that the society is more interested in benefiting the family members involved than the charitable purposes for which the society was created."

The permit application also states that the building is owned by the organization, but Berry wrote that court records show the building is owned by Mrs. Eddleton.

However, Berry said the county repeatedly was led to believe the group owned the building, which would allow it to hold two weekly games of its own and to rent out the building for two more games each week.

But the property never was legally transferred to the group, according to sheriff's investigators, because the Eddletons didn't want the building to leave the family if "bingo was to be outlawed."

Of the \$200,152 collected in gross receipts in 1992, the group reported that 9.8 percent — or \$78,719 — went toward charitable contributions.

County finance officials discovered the reported amount that went to charity included mortgage payments, and \$21,671 for electricity, to hire a maintenance worker and for other smaller noncharitable expenses.

Taking that into account, Berry said the group actually only sent \$3,509 — or 0.4 percent — to charity.

The group — established to financially assist hearing impaired persons — paid \$2,547 to Mrs. Eddleton to cater a hearing impaired event. But Berry said there was insufficient documentation to verify the number of hearing impaired people who attended and the rationale used to select the caterer.

The county's review of the group's operations also showed:

- * The group donated \$640 to the Courthouse Ruritan Club, the SOS Foundation, the Ashland Little League and the Ashland Rescue Squad.

- * Bingo proceeds were used to pay for memberships at the Price Club and Sam's Club for four members of the Eddleton family.

- * Internal controls were so weak that "it is not possible to adequately audit the society's operations," Berry wrote. For instance, security personnel are paid in cash and game logs, which are needed for proper internal controls, were destroyed nightly by a member of the Eddleton family, Berry wrote.

- * The organization bought a number of items, such as a computer game software to make sounds more realistic, which appeared to be excessive and "could not possibly benefit the deaf," Berry wrote.

Bingo reform proposals seen as premature
Henrico decides to await probe results

Even though Henrico County refuses to lend its support, a set of proposals designed to clean up abuses in bingo operations could become law in the upcoming session of the General Assembly.

During its annual meeting last week, the Virginia Association of Counties voted unanimously to press for a set of bingo reforms in the 1993 legislative session.

Although all five members of the Henrico Board of Supervisors attended that meeting, none opposed the proposed reforms at that time. But two days after returning, they decided Thursday not to seek such legislation.

The board's action also was perplexing in that members of Henrico's legal and law enforcement staffs had been instrumental in drawing up the proposals that the association ultimately endorsed and Henrico rejected.

The only explanation offered was that the proposals were "premature" as long as a special Henrico grand jury and county task force are investigating bingo corruption in the county. The special grand jury was impaneled Oct. 6 and is expected to work for at least six months. The task force is scheduled to make its recommendations in December.

Supervisor David E. Kaechele was the only board member who argued in favor of the proposals Thursday. He said the current slate of suggested reforms should be endorsed now, and if the grand jury comes up with additional recommendations to clean up the games, then those changes could be made later.

Kaechele stressed that the county needs to make sure that sponsors of bingo games use the profits to benefit charity, instead of lining the pockets of individuals.

"Everything I have read in the paper (about abuses of bingo laws) I can agree with," Kaechele said.

In a broadside against Kaechele's support of cleaning up county bingo games, Chairman Richard W. Glover responded: "I guess you can agree with it, because most of it you said."

Glover then proposed that the board "recommend to the General Assembly for legislation to outlaw bingo."

"Why don't we just start with that and see what happens?" Glover said.

Supervisor John A. Waldrop Jr., who is a close friend of bingo parlor owner Kenny Graham, said he favors doing nothing until the grand jury finishes its investigation. Barring that, Waldrop said he would support abolishing "all gambling in the county — bingo, the lottery, horse racing — it's all the same."

(Graham is under investigation by the special grand jury to determine whether he broke state law by charging excessive rent to the charities that sponsor games at his bingo hall, Mountain Road Expo.)

Supervisor James B. Donati Jr., also voted to withhold support of the proposed reforms. Supervisor L. Ray Shadwell Jr. said he didn't feel strongly either way, but didn't have a problem with waiting.

Despite the supervisors' reluctance to sign on to the reforms, they may get them anyway. Two of the four proposals endorsed by the association will be written so they will apply statewide, whether a locality asks for them, said Hanover County Attorney Sterling E. Rives III.

Those two proposals would ban any person who's been convicted of a crime of moral turpitude from managing or operating a bingo game for five years after the date of conviction, and would require any organization with gross bingo receipts of more than \$250,000 to have an annual audit conducted by an independent certified public accountant.

The CPA's working papers, instead of only the final report, would be made available for inspection by the localities' licensing department.

The other two proposals are written as local-option legislation, meaning the state would give the locality authority to apply the law if its governing body opts to do so.

Those proposals would enable local governments to require an organization to turn over a specific percentage of its gross receipts to the charitable purpose for which the organization was founded and would allow local governments to limit the number of bingo games a person could manage during a year.

Hanover's Board of Supervisors has endorsed the proposed reforms. Richmond's City Council is expected to vote on them next month, said City Attorney Timothy Oksman.

Chesterfield County has one bingo proposal before its board. It would require organizers of games to specify a percentage of gross receipts that would go to charitable groups.

11/14/92

RICHMOND TIMES-DISPATCH

2 bingo groups halt operations
Four charities, Mountain Road Expo being investigated by a grand jury

Two of the four charities that sponsor bingo games at Mountain Road Expo in Henrico County have shut down their operations.

The two charities are the Institute for Higher Healing and the Virginia Foundation for the Blind (which recently changed its name from the Visually Handicapped of Virginia Foundation). Both organizations played on Thursdays and Fridays until last week.

William T. Coppage, treasurer of the Foundation for the Blind, cited a special grand jury investigation under way in Henrico in his explanation for ending the organization's sponsorship of bingo games.

Mountain Road Expo and the charities that play there are being investigated to determine whether a state law that prohibits the payment or receipt of excessive bingo rent was violated.

The four charities spent a total of \$354,000 in 1991 for rent on a 14,000-square-foot metal building in a rural area of Glen Allen that has an assessed value of \$490,700. The rent did not include extras such as security and cleanup, which typically cost thousands more each year.

"Pending any settlement or decision by the grand jury, our board just (felt) like if we were doing something that was out of order, then we shouldn't continue to do it," Coppage said. "They don't think we are, but if the legal powers that be think so, it's just better to wait."

Specifically, state law prohibits any bingo landlord from receiving, or any bingo organization from paying, rental rates that are in excess of "the current fair market rental value." Each day that the law is violated constitutes a separate Class 1 misdemeanor, punishable by one year in jail and a maximum \$2,500 fine.

The Foundation for the Blind had sponsored night games at Mountain Road since early 1991. The Institute for Higher Healing, which sponsored games from 9 a.m. until 2 p.m., began playing there last summer.

Dr. Vernon Sylvest, president of the Institute for Higher Healing, said his organization's board of directors halted the games because they simply weren't profitable.

"When we went into it . . . we saw it as an opportunity to raise money for charitable purposes," Dr. Sylvest said. "But it wasn't raising money, so we stopped."

The institute took in \$149,892 in gross receipts during the four or five months it sponsored bingo games last year. But nearly all the money went to pay expenses, which totaled \$148,379.

According to a financial report for 1991 on file in the county's licensing office, the institute's bingo games paid out \$112,879 in prizes. Rent totaled \$30,400, while bingo supplies cost \$3,953.

The Foundation for the Blind fared considerably better. For the fiscal year ending Sept. 30, 1991, the foundation posted gross receipts of \$725,404. Expenses totaled \$700,642, which included \$538,291 for prizes; \$106,450 for rent; and \$28,628 for bingo supplies.

Dr. Sylvest said the Institute for Higher Healing's decision to stop sponsoring bingo was made several weeks before a Sept. 20 article in The Times-Dispatch that detailed the rents being charged at Mountain Road Expo.

"The timing was pretty close, but we made our plans before that," Dr. Sylvest said. "We had a morning slot, and not all that many people played."

Coppage was reluctant to say much about the Foundation for the Blind's bingo operations, referring questions to the organization's president, Dr. Earl Dotson of Columbia in Fluvanna County. But Dr. Dotson could not be reached for comment.

An attempt to determine whether any new charities have been lined up to sponsor games at Mountain Road was not successful. Kenny Graham, owner of the facility, hung up the phone as a reporter posed that question.

Henrico takes go-slow approach on bingo rules

A majority of the Henrico Board of Supervisors agreed last night that the county should not push for a regional body's six proposed changes in state bingo laws when the General Assembly convenes in January.

The proposals grew out of meetings this fall that were attended by law enforcement officers and members of the finance and legal staffs from Richmond and the counties of Henrico, Chesterfield and Hanover.

Henrico County Manager Virgil Hazelett recommended yesterday that the proposals not be included in the county's legislative wish list for the 1993 General Assembly session. Before legislative changes are sought, Hazelett said, a special Henrico grand jury and a county-appointed task force should finish their investigations of allegations of corruption in Henrico bingo operations.

"There may be things that come from either group that can make a difference," Hazelett told the board. "If you are going to the General Assembly with bingo legislation, you should have the best information. . . . Without those items before me, it's premature."

Supervisor David Kaechele was the only board member who argued in favor of seeking the legislative changes in the coming session.

"We are missing an opportunity if we don't do something in the legislative program to tighten up on bingo operations," Kaechele said. "The region needs our support. There is evidence from the last study we made that there is gross abuse. We can agree to do some of these simple things."

Henrico's withdrawal of support came as a surprise to a representative from another locality who helped draft the proposed changes.

"There were never any noises they didn't want to sign on," said the representative, who asked not to be identified. "They were very supportive. Joe (Rapisarda, Henrico's county attorney) and his staff were very helpful in coming up with recommendations that would have the most impact."

Furthermore, the source said, Henrico knew before it ever sent anyone to the meetings that a task force and a special grand jury were studying alleged bingo abuses in the county.

Kaechele suggested that additional recommendations that might arise from those two investigative bodies could be taken up with the Assembly later, but that the six proposals drafted by the four jurisdictions should be the starting point in the '93 session.

Specifically, those proposals recommend that charities, which are supposed to be the beneficiaries of any profits generated by bingo games, receive a specific percentage of gross receipts.

The other proposals would:

- * Place a limit on the number of bingo games a person could manage during a year, with the locality setting the number.
- * Prohibit anyone convicted of a crime of moral turpitude from running a bingo game for five years from the date of the conviction.
- * Prohibit directors and officials of any organization which is banned, either through court or administrative action, from associating with any other bingo game in the state for five years.
- * Allow local bingo regulators to have access to bingo accountants' working papers. Currently, only the accountant's final report is subject to review.
- * Reduce the minimum gross receipts threshold for organizations required to pay for an independent accounting from \$500,000 to

Morrissey targets high rents

Richmond Commonwealth's Attorney Joseph D. Morrissey said he believes one reason bingo profits overall are so low is that someone is making money illegally from the games.

"We believe there's some skimming going on somewhere and we're going to try to uncover it," he said last week.

But Morrissey also wants to assure operators of legitimate bingo games that he has nothing against them.

He said his office began its civil action last week against Metropolitan Junior Baseball League and the groups that play there because "we want to focus right away on these exorbitant rents that are being paid. We don't want to penalize legitimate bingo players."

He pointed out that only about 2.9 percent of gross receipts from bingo games citywide are making it to charities, and that was too low. He said that if his office can succeed in lowering rents, more money will be available for charity.

Morrissey said he recently spoke at a Lions Club meeting. He said he wanted to see groups like the Lions Club be able to participate in charitable bingo. "I know they would send the money into the community and that's what we want," he said.

One successful bingo operation in the city is run by Temple Beth-El on Grove Avenue.

City records show that the Temple Beth-El games had gross receipts last year of \$261,055 and a profit for charity of \$64,010, or 24.5 percent of gross.

Helen K. Danoff, who prepared the financial report, said she couldn't really say why her group is giving such a high percentage to charity when compared with other games.

"We don't have to pay rent," she offered. And, "You follow the rules."

Ms. Danoff, like other people who run bingo games, said that the number of people playing has decreased in recent years. "If you don't get the traffic, you don't get the money," she said. "It's not what it used to be."

She said there weren't enough people to support the prizes given out at a recent game, so the temple had to go in the hole just to pay prizes.

Ms. Danoff blames the decline in attendance on the economy. "The situation is everywhere," she said. "People don't have any money."

Henrico bingo scrutiny to grow?
Grand jury to probe operations in county

Bingo operators in Henrico County long have operated under a set of loosely enforced rules that county officials now say have enabled unscrupulous operators to flout the law.

Whether the fault of the finance department's licensing section, the commonwealth's attorney's office or the police department — the agencies charged with enforcing bingo laws — little has been done in Henrico to ensure that bingo profits do not enrich dishonest individuals.

A review of Henrico's bingo system — which last year recorded gross receipts of \$10.4 million — shows that the county's checks and balances on bingo are haphazard at best.

The county never has conducted a field audit of a bingo game.

It does not check bingo card serial numbers to double-check how much money bingo operators receive.

It does only a cursory check of annual bingo reports.

That contrasts dramatically with the regulations enforced in Richmond. Richmond officials were so stung by a 1983-84 special grand jury investigation that they drew up a 62-page document of bingo regulations.

Now it's Henrico's turn to squirm. A Henrico judge last week agreed to impanel a special grand jury to investigate bingo operations there.

In addition, a task force charged with conducting an internal review of bingo regulations and monitoring techniques was established Sept. 25 by the county manager. The task force is made up of the police chief, county attorney, and finance director.

If the Henrico grand jury's recommendations are anything like those issued by the city panel, bingo operations in the county are about to come under severe scrutiny.

That Richmond special grand jury accused the city auditor's office of "gross negligence" because none of the 83 organizations licensed to run bingo or raffle games in the city at that time had received a full audit.

The grand jury also said that the city auditor and department of finance and taxation were "derelict in their duties with respect to licensing, regulating and auditing" bingo and raffle organizations.

The grand jury recommended that the city auditor devise a uniform guide to be issued to bingo and raffle permit holders.

"The city of Richmond went just about as far as we could," said Jaydeep R. Doshi of the finance department. "But we still have problems."

The city's 62-page bingo guide includes more than a dozen forms bingo operators must fill out before, during and after games. "They are not the easiest things to fill out," Doshi said.

That is why his office conducts training sessions for the people designated to fill out the forms for charities running bingo games.

The regulations are daunting and complicated, but they make it much more difficult for bingo operators to misplace money or skim money off the top of the night's proceeds before the cash is recorded. As the 1993 grand jury put it, "Recognizing that these games are operated on a cash basis, the opportunity for unauthorized or illegal activity is quite obvious."

But in Henrico, the licensing section doesn't spend much time double-checking whether state and local laws are followed.

While 32 organizations sponsored bingo games last year, the licensing section conducted only about 10 unannounced visits to the games to check for violations, such as making sure that the people working the games were volunteer members of the sponsoring organization and not paid workers.

Although bingo game sheets are printed with serial numbers, no mechanism exists in Henrico to use the serial numbers to keep a check on the amount of money coming in.

In Richmond, the bingo cashier must note the first and last ticket serial numbers for admissions, special games and extra bingo cards and staple them to the forms turned in to the auditor's office. The ticket numbers provide an easy way to tell how many people attended the games and the expected gross receipts.

When asked whether more needs to be done in Henrico to prevent dishonest operators from skimming money, Edward W. Wood Jr., head of the licensing section, said "There's always room for improvement, and obviously bingo in Henrico has grown over the years."

Henrico County Manager Virgil R. Hazelett added: "That's what we are trying to do. It hasn't been perceived as a problem in the past, in reference to the procedures."

But law enforcement officials say privately they have complained for years about bingo operations in Henrico. The concerns included fears that cash was being skimmed from some bingo operations, and that paid workers — instead of volunteers — were being used to run games.

In the past, Henrico has relied heavily on information contained in the financial statement that each charity must file annually. The statements are prepared by certified public accountants hired by the individual charities.

The CPA must sign a declaration on the financial statement that says "the annual financial report represents fairly in all material respects beginning cash receipts, operating costs, use of proceeds and ending cash." It also declares that the proceeds of bingo games and raffles have been used "for those lawful religious, charitable, community or educational purposes for which the organization is specifically chartered or organized."

Wood said Henrico currently is "relying primarily on the certification of the CPA."

Wood said that while Henrico relies heavily on the honesty of CPAs, his office also conducts "desk audits" of the financial statements, meaning they are checked to make sure all the numbers add up.

More stringent controls are in the works, Wood said. He is in the process of developing strategies for conducting "field audits," which would involve going to bingo games and checking charities' record-keeping on the spot.

Stepped up enforcement strategies will cost money, though. And Henrico currently charges charities just 1/2 of 1 percent of their gross proceeds to pay for administrative costs associated with bingo. Last year, the county collected \$56,177 from the audit fee. State law permits localities to charge a maximum of 2 percent of gross proceeds.

State law also attempts to keep bingo operators honest. Among the general regulations all bingo-playing charities must follow:

- * After subtracting prizes paid to winners, all the money taken in and paid out must be accounted for.
- * When receiving prizes, winners are required to list their names and addresses and sign the prize record.
- * The organizations have to keep all supply invoices in date order for three years.

But in Richmond, bingo operators are required to comply with many more regulations. They include:

- * The cashier must prepare sequentially numbered tickets to control and account for admissions, special packages and sales of extra cards.
 - * The beginning and ending serial numbers on the bingo game packets also are recorded.
 - * A cashier must record the beginning balance in the funds for both bingo and instant bingo games. Instant bingo games are similar to scratch-off lottery games.
 - * When floor sales of special packets begin, a special custodian must give each floor worker a predetermined amount of bingo cards to sell. If the worker sells all of his cards, he has to put all the money from the sales in the "cash bucket" assigned to him before he can be issued more cards to sell.
 - * Similar steps are required for instant bingo.
 - * After the games, the cashier is required to record all receipts, prizes and the ending balance in the cash fund. The cashier also must record the total gross receipts from admissions, extra cards, special packages and sale of supplies.
 - * All bingo supplies must be paid for by check.
 - * The organizations are forbidden from buying supplies from a member of the organization or any supplier in which a member has an interest.
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Supervisors tighten bingo ordinances

The Hanover Board of Supervisors moved to tighten county bingo ordinances Wednesday by unanimously approving changes that would limit hours of operation, require membership lists and clarify where bingo can be played.

The reforms should close several loopholes in bingo law and help prevent so-called professional bingo operators from conducting business, officials said.

"These ordinances represent a reasonable effort to make certain all bingo operations in Hanover County comply with the letter and spirit of the law," Supervisor William T. Rolling said.

While officials hope the changes will make it more difficult to skirt the law, board Chairman William C. Frazier expressed doubt that the law would curb potential problems with professional operators. He called for the General Assembly to toughen state bingo laws.

Bingo figures called to court
Explanation sought for high rents paid

The Richmond Commonwealth's Attorney's office has filed court papers accusing the Metropolitan Junior Baseball League of charging excessive rent for use of its South Side bingo parlor.

Assistant Commonwealth's Attorney David C. Eberhart III also said in the "civil bill of complaint" filed in Richmond Circuit Court yesterday that it appears rents paid by the five organizations that have been using the Metropolitan parlor have been tied to gross receipts from bingo.

The five charities also are named as defendants in the court papers because it is equally against the law to charge or pay excessive rents or rents tied to gross receipts.

Each offense is punishable as a first-class misdemeanor for each day of the violation.

The five charities named by Eberhart are Richmond Alumni Chapter, Kappa Alpha Psi Fraternity Inc.; Impact on Youth Inc.; Richmond Chapter of Livingstone College Alumni; Ukrainian-Saint Johns Lodge #34; and Society of Saint Olga.

Last year the five charities grossed more than \$2 million from bingo. After prizes, rents and expenses they had about \$27,000 left for charity.

Metropolitan, which does not run its own bingo games but relies on bingo rents for profit, had about \$34,000 left for its baseball leagues after expenses last year.

According to the complaint, bingo profits for each of the organizations increased from 1990 to 1991, so did their rents.

For example, Kappa Alpha Psi had gross receipts of \$309,323 from bingo in 1990 and paid rent to the league of \$35,300, or 6.9 percent. In 1991, Kappa Alpha Psi grossed \$658,666 from bingo and paid rent of \$51,500, or 7.8 percent.

Eberhart also noted in his complaint that the bingo parlor, at 1700 Broad Rock Blvd., contains 6,688 square feet. It was built in 1960 and was bought by the league for \$95,000 in 1983. Its current assessed value is \$230,000.

The total rent received for the building for the fiscal year that ended Sept. 30, 1991, was \$144,063, or \$21.34 a square foot, Eberhart said.

The rents paid per game by the organizations, according to the bill of complaint, were \$495 for Kappa Alpha Psi, \$529 for Impact on Youth, \$423 for Livingstone College Alumni, \$607 for Saint Johns Lodge, and \$213 for Society of St. Olga.

Eberhart quoted Tom Hardy, deputy city assessor, as saying it was his opinion the rents were "excessive and not consistent with comparable fair market rental rates in this area."

According to a news release, Commonwealth's Attorney Joseph D. Morrissey is asking the court to declare illegal the rents and the apparent keying of the rents to gross receipts. Rather than asking the court to close the bingo operations, Morrissey is asking for a hearing "to allow the parties to justify the rents as reasonable."

The defendants have 21 days to respond to the bill of complaint.

Return to charities was lowest in city
Metro area games donated 7.9% of gross receipts; local groups gave
2.9%

Bingo is big business in the metro Richmond area, but charities playing in the city stand to collect a substantially smaller percentage of the total take than charities playing in surrounding counties.

Organizations operating in Richmond and the counties of Hanover, Henrico and Chesterfield collected more than \$22 million during the fiscal year that ended Sept. 30 and gave more than \$1.7 million to charities. That charitable contribution amounted to about 7.9 percent of gross receipts.

But less than 3 percent of the gross receipts of the organizations running bingo games in Richmond actually made it to charities during that fiscal year.

Documents on file with the Richmond Department of Finance for the period show that the 13 organizations that operated bingo games in the city collected \$4,274,544 in gross receipts.

After paying things such as rent and operating expenses, and after giving out prizes, \$122,648 was left for charitable purposes.

That total of 2.9 percent of gross receipts is by far the lowest in the metropolitan area. Organizations running bingo games in Hanover County donated 10.5 percent of gross receipts to charity during the same period. In Chesterfield it was 10 percent, and in Henrico it was 8.1 percent.

Without offering an explanation, city Finance Director Max R. Bohnstedt said, "Yes, there is a problem. Too little goes to the avowed purpose of bingo" -- charity.

In a July 31 letter to City Manager Robert C. Bobb, Bohnstedt noted: "I am deeply concerned with the low average profit percentage for organizations with gross receipts over \$200,000, especially since the results of our analysis have shown that these organizations can reasonably be expected to report bingo game profits of 15 percent."

The profit percentage of the eight organizations that fell into that category was 1 percent. In fact, one of the eight had a profit of 22 percent, but none of the others profited by more than 1.7 percent. Four of the seven largest organizations actually lost money during the period.

Bohnstedt pointed out that the 1992 General Assembly passed a law allowing localities to require organizations running bingo games to use a "predetermined percentage" of bingo proceeds for religious, charitable, community or educational purposes.

The City Council has yet to take up what that "predetermined percentage" should be.

Still, total gross receipts in the city are a far cry from where they were a decade ago. In 1983, bingo organizations generated \$10.5 million in gross receipts.

A spokesman for the Richmond Tax Audit Division said that one reason bingo receipts have declined steadily was that auditors were paying much more attention to those organizations.

Henrico bingo: capitalism, cronyism?
One supervisor led the charge to kill reforms

John A. Waldrop Jr., vice chairman of the Henrico County Board of Supervisors, this year led the charge to kill proposed county bingo laws that would have adversely affected a friend with whom he jointly owns a Lincoln stretch limousine.

The friend, Kenny Graham, owns Mountain Road Expo, one of the largest and most profitable bingo parlors in Henrico. The success of Graham's operation depends, in part, on how the county regulates his parlor.

One of the proposed reforms would have halved the number of charities that could play bingo at Mountain Road. That, in turn, would have cut by 50 percent the rent Graham could collect. It was killed before the supervisors ever got to vote.

Last year, four charities paid \$354,000 in rent to sponsor bingo games at Mountain Road Expo, a 14,000-square-foot metal building behind a 7-Eleven in Glen Allen. The building's assessed value is \$490,700 — meaning Graham could completely pay for the building with rents collected in less than a year-and-a-half. Richmond real estate brokers say that kind of return on investment is virtually unheard of.

While Graham's impressive earnings would be chalked up to capitalism at its best in a strictly private enterprise, bingo is regulated by the state and is subject to special laws — including restrictions on what can be spent for rent.

Specifically, state law prohibits any bingo landlord from receiving, or any bingo organization from paying, rental rates that are in excess of "the current fair market rental value." Each day that the law is violated constitutes a separate Class 1 misdemeanor, punishable by one year in jail and a maximum \$2,500 fine. Henrico County interprets fair market value as the amount groups are willing to pay.

* * *

One staff-proposed ordinance change that was killed was aimed exclusively at Graham's bingo operation.

Since it was built in 1987, Mountain Road Expo has been operating bingo games four days a week, even though state law says that landlords who rent space for bingo operations may do so no more than two days per week.

The Expo building got around the state law by installing a firewall to separate two rooms in the building where bingo is played. Each room has a separate address and is considered to be a separate building. Hence, bingo is legally played there four days a week.

To close that loophole, the county attorney's staff proposed spelling out the definition of a building as a structure "enclosed by a continuous exterior wall, regardless of the configuration of the interior walls."

Shortly after that proposed change was drafted, Waldrop and his appointee to the Planning Commission, Gene L. McKinney, "met with the attorneys to see what the changes were," said a high-ranking county official who asked not to be identified. Shortly after that meeting, the legal staff "watered those (proposals) down," the official said.

Waldrop, a 12-year veteran of the board who owns two Henrico city cleaning businesses, said he was opposed to having the ordinance spell out the definition of a building because Graham's building "was built for bingo and it was approved for bingo by the county staff, building inspections and every department up there. . . . To go back and say you can't use it for bingo, or to restrict it — that's not fair to the landowner."

McKinney is a longstanding friend of Graham's. In August 1953, just before Graham was to be sentenced on a felony charge of conspiring to procure females for prostitution, McKinney wrote a letter to Henrico Circuit Judge Buford M. Parsons Jr. on Graham's behalf.

"I feel I can honestly testify that Kenny Graham has always been a man of his word, that he is a man of character and integrity, and I believe that he is a deeply committed family man, who conducts his business in a businesslike manner," McKinney's letter said.

Waldrop, who with Chairman Richard W. Glover and James R. Donati Jr. controls decisions of the five-member board, took the lead in July in the board's rejection of a set of ordinances that were researched for nearly a year before they came before the board. In the end, none of the staff's recommended changes was adopted.

Three high-ranking Henrico officials close to the bingo operations — each of whom spoke on condition of anonymity — say they are convinced that Waldrop's opposition to the reforms was influenced by Graham's financial interest in bingo. Graham and Waldrop vehemently deny the charge.

No one can deny that Graham is making a lot of money on his bingo enterprise. Richmond real estate brokers say that the rate of return on his bingo building investment is off the charts in the region's commercial real estate market. Through four-days-a-week bingo operations, Graham is making roughly \$25 a square foot on a warehouse-type building that sits on 2.6 acres in a largely rural area.

"You can rent space in Riverfront Plaza downtown — the two most expensive buildings in Richmond, with office space as fine as you'll see anywhere, with views of the James (River) — for less than \$25 a square foot," said James F. Bell, vice president of commercial sales for Joyner & Co. Nothing in real estate brings the kind of return on investment that Graham is realizing, he said.

Added Brian Glass, director of retail brokerage for Harrison & Bates, "Twenty-five dollars a square foot as rent is exorbitant. . . . There is no shopping center I know of in the Richmond metropolitan area that charges \$25 a square foot in rent. The general market rate . . . would be less than half that. You're more likely to see an \$8-to-\$10-a-square-foot rate for 14,000 square feet."

* * *

Graham contends that his building is worth the six-figure rent because his operation is superior to any other in the county.

"I have the best equipment money can buy, the best surveillance, the best computers," he said in a recent telephone conversation. He estimated he's spent \$200,000 on high-tech bingo amenities at Expo.

But when asked whether he would be willing to meet at Expo and review the operation with a reporter, he declined.

"You're not going to meet with me," he said. "Call the bingo hall — meet with whoever is there. . . . I don't have nothing to do with it." A manager handles daily operations, he said.

Besides state-of-the-art equipment, an evaluation of Expo would

Donald F. Carledge, the bingo contact for the Institute for Higher Healing, a charity that sponsors games at Expo, also defended the rent his organization pays.

"The location is accessible to a lot of people," Carledge said. "It's not on a bus line, so you don't draw the traffic you get on a bus line. Our clientele is a little upscale from that. So it's a meshing of those things together."

Expo does offer a high-tech version of a simple game once played in church basements with wooden markers and reusable cardboard game boards.

But the facilities at 5300 West Marshall, a bingo hall near The Shops at Willow Lawn owned by the Richmond Speleological Society, appear to be comparable -- and the annual rental is less than half what Expo charges.

Like Expo, 5300 West Marshall, also in Henrico County, has state-of-the-art bingo equipment, including closed circuit television cameras throughout the hall (showing the number on the Ping-Pong ball that will be the next number called). There also are several large lighted bingo boards lining the walls.

Both also have good security, carpeted floors, cushioned chairs and ample air conditioning.

But the three charities that sponsor bingo games at 5300 West Marshall, which is just off Broad Street and has an assessed value of \$697,100, paid an average annual rent of about \$40,000 each. (If a charity owns its own building, state law permits games to be played there up to four days per week.)

* * *

The law limiting the amount of money that may be spent on bingo building rent grew out of a joint legislative subcommittee formed in 1978 to come up with ways to better regulate bingo, which was legalized in Virginia in 1973.

Once a small-stakes pastime played in church halls and fire stations, bingo had grown into a multimillion-dollar gambling enterprise that was extremely vulnerable to corruption, according to a 1979 legislative report. One finding in the report said that "opportunities for fraud, abuse and outright theft abound."

The game continues to bring in millions. Last year, bingo receipts totaled \$10.5 million in Henrico County. Prizes took \$8 million of that total; rent totaled \$853,000; and bingo supplies and equipment cost \$520,600. Charities received \$857,000. Audit and permit fees and other operating costs accounted for the rest.

While 32 organizations sponsored bingo games in Henrico in 1991, the four charities that played at Mountain Road accounted for 41 percent of the total bingo rent paid in the county.

Ralph L. Axselle Jr., a lawyer who represented Henrico County in the General Assembly from 1973 to 1989, was chairman of the legislative subcommittee that sought to clean up bingo in 1978-79.

"What we found was, at times, there were very cozy relationships between some landlords and the charitable organizations," Axselle said. "We also found that some landlords would charge an exorbitant rent that bore no resemblance to being reasonable compensation for the service rendered. That had the practical effect of taking the money from charitable purposes and putting it in the landlords' pocket. So the solution was to put in the provision that you could only charge fair market rent."

* * *

But Henrico County's licensing division interprets "fair market rental value" to mean what the market will bear, according to Finance Director Dennis Kerns, who oversees the licensing section.

Specifically, what the market is bearing at Mountain Road Expo is this:

* Two charities that sponsor bingo games at Mountain Road Expo — the Innerspace Foundation and the Virginia Association of Workers for the Blind — each paid \$108,400 last year to rent the facility for two days per week.

* A third charity, the Visually Handicapped of Virginia Foundation, paid \$106,450 in rent for two-days-a-week bingo.

* The fourth charity — the Institute for Higher Healing, which played at Mountain Road Expo for only about four months in 1991, nevertheless paid \$30,400 in rent.

All four charities continue to sponsor games there.

"I'm not saying that this doesn't appear to be a large amount (to pay for rent), but I think you have to take into consideration it's the arrangement that's been made with two parties," Kerns said. "If there's any wrongdoing, our police and other law enforcement agencies would be looking into that."

Kerns seemed to be unaware of the work of the 1978 legislative subcommittee. The county staff member closest to bingo operations — Edward W. Wood Jr., head of the licensing division — would not answer a reporter's questions, referring questions to Kerns.

Glover, chairman of the Board of Supervisors, said he knew how much Mountain Road Expo charges for rent but knew nothing about the state law that restricts bingo rent. "Now that you've brought it to my attention, I think the auditors should take a look," he told a reporter. "I don't know why they haven't flagged it."

* * *

Waldrop, who represents the Fairfield District where Expo is, said he was unaware of the amount of rent that Mountain Road Expo charges charities. And he adamantly denied that his association with Graham has affected his decisions on bingo regulations.

Waldrop stressed that co-ownership of the 1985 Lincoln limousine with Graham does not constitute a business relationship, because the limo is for personal use only.

But because the limo ownership constitutes a financial partnership between Graham and Waldrop, several ranking county officials who asked to remain unidentified believe Waldrop may have had a conflict of interest in voting on the bingo reforms and should have removed himself from the debate and the vote. His voting on the reforms just didn't look right, they said.

However, Commonwealth's Attorney James S. Gilmore III said his interpretation of the state conflict of interests statutes leads him to conclude that a conflict would exist only if Waldrop received some type of payment in exchange for his vote. Joint ownership of personal property would not in itself create a conflict, Gilmore believes.

When asked whether he thought his friendship with Graham might have created a conflict of interests on his bingo vote, Waldrop said no.

"I have friendships with people all over the county — that shouldn't enter into it," he said. "I'm a member of the Moose Club (which sponsors bingo games in Henrico) — Does that disqualify me from voting on it? The director of the department that heads this up (Wood, head of the licensing section) is a member of Our Lady of Lourdes church (which also sponsors bingo). Does that cloud his thinking in any way? I doubt it."

Besides, Waldrop added, "I have never gotten a complaint on any of the bingo houses in my district, or on any of the bingo games in my district."

* * *

The four charities that played at Mountain Road Expo in 1991 brought in \$2.3 million in gross receipts, according to reports on file in the county licensing office. After paying expenses -- totaling \$1.9 million for prizes; \$354,000 for rent; \$95,100 for bingo supplies; and \$21,000 for security, cleanup, and other operating costs and incidentals, the charities pocketed "profits" (annual donations) totaling \$171,000.

Representatives of some of those charities offered a variety of reasons why they were willing to pay so much rent.

"We can't complain if we were paying twice that much rent," said Ed S. Phillips Jr., president of the Virginia Association of Workers for the Blind. "As long as you're a non-profit organization and you're getting a donation of \$5 a week, it's profitable to you."

Furthermore, Phillips said, security at Mountain Road is exceptional. "You don't have to worry about getting knocked in the head when you step outdoors, or getting robbed when you walk in."

Cartledge, the bingo contact for the Institute for Higher Healing, said another reason his group is willing to pay the rent is that it is difficult to find a good space for playing bingo.

"I might be two years on the street trying to find a place," Cartledge said. "Cost means nothing if you can't get in there."

* * *

The licensing section and finance department apparently believe no violation has occurred. Gilmore, Henrico's commonwealth's attorney, had little to say about who should take the lead in enforcing the bingo laws.

In the past, enforcement of bingo laws has been monitored by the licensing section, Gilmore said. Typically, the commonwealth's attorney's office would act only after someone brought "any allegation of violations" to him.

"We would have to have a complainant," Gilmore added. "We've never had a complaint on overcharging of rents. It would come either out of the community, through the police department or through licensing."

If a complaint were made, Gilmore said, his office would then "decide if it's prosecutable and how best to proceed with an investigation."

Complaints spur Henrico to look at laws on bingo

In the 1980s, the Henrico County chapter of the Knights of Columbus, a Catholic men's organization, operated bingo games that raised tens of thousands of dollars for charities that helped the homeless and destitute.

But the Knights of Columbus folded its bingo tent 1 1/2 years ago, the victim of dwindling bingo profits, which members say was caused in part by unfair competition from large bingo houses.

Amid complaints that small bingo operators are being squeezed out of the game by large operators who sometimes skirt the rules, Henrico County is taking another look at its bingo laws.

A public hearing is scheduled for Feb. 26 before the Board of Supervisors.

The most common complaint of smaller operators is that the large bingo houses are finding creative ways to offer prizes that are bigger than those permitted by state law. It's a charge the large operators vehemently deny.

The 1979 General Assembly passed legislation barring organizations from paying more than \$100 on any game, more than \$1,000 on the night's jackpot, or more than \$1,000 on its winner-take-all game.

State law also specifies that an organization may hold only one jackpot game and one winner-take-all game per calendar day.

But some large operators have found ways around those rules, said Raymond Newton of the American Legion Post 244 in Glen Allen.

For a fee of about \$1,000, the large operators run games for different charities. In addition, Newton said they get around the one-jackpot-a-day rule by moving players from one hall to another inside the same building, then holding a new game in the new location.

"What is happening is (that) some of these bingo halls run several bingos through the week," said Newton, second vice commander of Post 244 and one of four bingo captains in his chapter.

"And where we take our money and put it out into the community to help it and make it a better place to live, most of the monies made through the big houses go back to the people who are running those places, and not to the charities. The percentage (of receipts) they give (to charity) is very low."

Bingo, an exception to the state gambling laws, is legal as long as the games are run for the benefit of a benevolent organization. But the law does not specify how much of the proceeds must go to charitable causes.

For the year that ended Sept. 30, bingo/raffle operations grossed \$9.7 million in Henrico County. Of that amount, \$761,000, or 7.8 percent of gross receipts, was donated to charity by the organizations.

In 1988, 9 percent of the county's \$12.3 million in gross bingo receipts went to charity.

As bingo has become a big business, the competition for players has increased and the prizes have grown.

"The bigger games put us out of business because they could offer more money," said Tom Marchi of Council 395 of the Knights of Columbus. Until his council closed its bingo operations in 1989, Marchi was co-chairman of bingo for his organization.

Marchi, however, doesn't blame the players for the demise of the Knights of Columbus bingo games.

"If I were a bingo player I would go where they're paying out the most money, too," he said. "And the bigger bingo parlors were able to get more players. . . . We just didn't bring in enough people."

Henrico County has two large organizations that operate bingo games for different charities -- The Showplace on Mechanicsville Turnpike and the Mountain Road Expo Center.

Al Bowdoin, who owns the snack bar at Expo and often calls bingo games for the four charities that sponsor games there, said the small operators are off-base with their complaints.

"They're completely out of line," Bowdoin said. "We have never broken the law here and we don't intend to. . . . The law states you can play two \$1,000 games per session -- and that's just what we do."

Bowdoin acknowledged that the Expo building contains two halls separated by a firewall, and that Expo plays Thursdays and Fridays in one hall and Fridays and Saturdays in the other hall. One hall holds 366 and the other holds 466, but the halls are rarely filled, he said. Each hall typically attracts about 250 people.

"The county has approved this building to play bingo in -- period," Bowdoin said.

The true reason that bingo operators large and small have taken in less money in the past couple of years has been competition by the Virginia Lottery and the anemic economy, Bowdoin asserts.

"Your lottery people are bingo people," Bowdoin said. "The number of people playing hasn't changed. But the amount of money they're spending has changed."

Bowdoin estimated that spending has dropped off an average of \$10 per head, from about \$33 a session to \$23.

Henrico Commonwealth's Attorney James S. Gilmore III, meanwhile, believes "there are deficiencies in the (bingo) statutes that have got to be looked at."

But Gilmore stressed that his office is not interested in stopping bingo in Henrico.

"Some of the players are being told that Henrico is trying to shut them down," Gilmore said. "That is not true. . . . Bingo is permissible under the code. We're simply trying to enforce the law evenhandedly, because a number of charitable organizations have made complaints."

Determination keeps die-hard bingo fans playing

The charms at the end of the table hadn't been too lucky for Kay Saunders of Hopewell.

She had two 3-inch troll dolls, a rubber California Raisin figurine, a rubber shamrock, a plastic leprechaun, a bingo ball with an alligator clip attached to it and two bingo buttons.

But after playing bingo for 23 straight hours, Mrs. Saunders, 69, hadn't won enough money to show a profit.

Mrs. Saunders was one of the die-hard bingo fans who stayed up all night Friday and all day Saturday on July 19 and 20 to play in a bingo marathon sponsored by the Jefferson Park Firefighters Association in a vacant department store building in The Crossings shopping center in Prince George.

The idea to hold a 30-hour bingo marathon as a fund-raiser originated in the spring, said Edward R. Scott, president of the association and a member of Company No. 5.

Scott said the association had never run a bingo game but needed a profitable fund-raising idea. Some local research showed that civic organizations that sponsor bingo games make a pretty good profit, Scott said.

"We decided, 'Why just do it one time? Why just hold one bingo (game)?" " he said, adding that no one in the association had heard of a bingo marathon in the Tri-Cities area, and it seemed like an original idea.

The enticement for the bingo players? Six sessions of 18 bingo games with a guaranteed jackpot of \$100 for 17 games in each session and \$1,000 for the last game in each session.

Between 400 and 500 people played bingo Friday night during the first two sessions, Scott said. The association had planned for about 1,000. "I guess you could say wishful thinking," he said.

The average was about 200 people on Saturday, a disappointment for the tired firefighters walking the floors, assisting players and trying to sell instant bingo tickets, similar to lottery tickets, for \$1 each.

Mrs. Saunders was one of about 35 people who played all six sessions.

She had a brass handbell and a wooden train whistle and declared she would ring the bell and blow the whistle as hard as she could "and make a big ruckus" if she won a \$1,000 jackpot.

Her friend Evelyn Pettis, 53, sat at the table behind her, not quite so optimistic.

After 23 hours, Mrs. Pettis had not won a single game. Her only gain was "a penny I found on the floor with the head up." The Prince George resident talked without missing a single call in two straight games. Both times she came within two numbers of winning \$100.

"You get that close but not close enough," Mrs. Pettis said of her five-night-a-week hobby. "We don't call it the bingo game; we call it the waiting game. All you do is wait."

Mrs. Pettis finally won \$100 at 8:30 p.m. She said she thought it was because she had kissed the hat of the fire chief, Robert Diamond, for luck.

About 75 percent of the participants were female, and nearly all had come prepared with their favorite bingo paraphernalia, including bingo tote bags to carry lucky charms and multiple colored stampers for marking bingo cards.

And everyone, even those who hadn't stayed up all night, was tired.

Two sisters, Dorothy Uzale of Malaga and Betty Johnson of Petersburg, sat face to face, stamping their numbers. At their feet under the table lay their sons Lamont Uzale, 12, and O. J. Johnson, 6, sleeping huddled in blankets.

About 10 rows down, a mother-and-son team, Pearl and David Buckley of Richmond, struggled to stay alert. Mrs. Buckley, 69, and her son, 33, had come to the marathon after seeing the event advertised in "Bingo Bugle," a national trade bimonthly for bingo fans.

They were tired, but they were winning. Mrs. Buckley's daughter, Dianne Wray, had played with them for most of the night and day, but she left around 6 p.m. The three had won more than \$1,000 altogether but declined to give an exact figure.

Buckley, who said he'd probably soaked two packs of cigarettes in 23 hours, predicted he and his mom would win more before the marathon was over.

"You've got to be positive," he said.

The firefighters weren't so positive.

When the marathon was finished, Scott said everyone agreed the project had been too much. They made their goal — about \$20,000 in profits — but had spent two months working on the project.

"We will not go 30 hours again," he said. "I'd say 100 people asked us to do it again, but it's just too taxing on our people. We might do it for maybe 12 hours. But we really haven't made any decisions."

BINGO

Most money players spend goes to prizes

Jerry Gorman isn't certain how the game got started as a fund-raiser, but of one thing he is sure: Nightly bingo, played at churches and schools throughout the country, is popular.

In Chesterfield alone, bingo games with jackpots of several hundred dollars are held every night of the week.

And some of the non-profit groups that sponsor the games have become slick businesses — flashy, electronic and in stiff competition for the county's bingo enthusiasts.

"It's a significant form of entertainment," said Gorman, president of Charity Games Inc., a Richmond bingo equipment supplier. "People still go there to see their friends and neighbors."

But the game has changed since it became legal in Chesterfield and the rest of the state in 1973. Instead of being held in the rural firehouse, many games are played at places such as the Bishop Ireton Center, which features seating for several hundred players and games about four nights a week.

Many facilities now have snack bars, electronic flashboards and TV monitors to guard against cheating.

A few of the larger games, such as those run by the Knights of Columbus Bishop Ireton Council No. 6189 and the Loyal Order of Moose Manchester, each take in more than a quarter of a million dollars a year.

Receipts from all bingo and raffle games played in the county in 1990 exceeded \$3.1 million, according to the county's Office of Internal Audit. About 90 percent of that came from bingo.

Last year, 44 non-profit groups filed financial reports for bingo and raffle games with the county.

"There's a great deal of money to be won," said Denise Tomczak, who helps coordinate the bingo games sponsored every Tuesday night by the St. Edward-Epiphany Home and School Association. "We pay out an average of \$2,500 to \$3,000 a night."

Some of the smaller games, such as the one sponsored by Beach Community Grange No. 95R, find it hard to compete, said Jerry Hancock, chairman of the group's bingo committee.

Earlier this month, the grange upped its jackpot payouts from \$400 to \$600 to be in line with other groups, Hancock said.

The most state law allows an organization to pay out is \$1,000 per jackpot game.

Most of the money collected from bingo games in the county goes toward prizes.

For example, last year about 79 percent of what the Knights of Columbus took in went to prize money, according to records on file with the Office of Internal Audit.

Add supplies, rent and a county auditing fee, and that left \$14,730.55 for charitable use — out of \$497,430.30 the K. of C. collected in gross receipts.

No regulations cover how much money must go to charity. The law "only says that (profits) must be used for charitable purpose," said Gary Maness, a senior auditor with the Office of Internal Audit.

Groups will get a smaller percentage of profits this year because of a change in state law.

Bingo sponsors are now required to pay 2 percent of their gross receipts to the county. Before October 1990, they paid 1 percent. But most organizations say bingo is still profitable and less time-consuming than other fund-raisers.

Groups that sponsor bingo must file financial reports with the Office of Internal Audit. And auditors pay surprise visits to games to ensure that books are being kept correctly and that volunteers from the groups, rather than paid operators, are overseeing the action.

Most of "the organizations that play in Chesterfield are very straightforward," said H. Louis Zammett, director of the Office of Internal Audit.

Perhaps the most threatening challenge to local bingos is the Virginia Lottery. The same person who used to spend money on bingo now "can go into any 7-Eleven and buy lottery tickets," Gorman said. "That means there's less left over for the bingo organizations."

Bingos have had to become flashier in order to compete, Gorman said.

Among the wares his company offers are large, electronic flashboards, which light up with the numbers drawn. He also sells blowers, devices designed to randomly select numbered balls.

Hancock of the Beach Community Grange said he's proud his bingo is one of the few in the area that have stayed the same in one respect: Players still use chips to cover spaces on cards.

Most places use newspaper, which players mark off with fluorescent highlighters, then throw away, he said.

Many groups have started advertising their games, Gorman said. Publications such as the monthly "Bingo Bugle" are available for free at many bingo establishments. The Central Virginia edition offers local groups the chance to advertise and attract more players, said publisher Jim Garner of Waynesboro.

Mrs. Tomczak said more people are playing at the St. Edward-Epiphany School than ever. She thinks the recession has caused people to play more, perhaps because they need to win more than before.

"According to my books (from the past five years), the number of players was down when the economy was good," she said.

Bingo organizers say the record-keeping and man hours needed to run the games are well worth it, not only financially, but also because they fill a void in people's lives.

"A lot of our regular players say we run a nice bingo," said Mrs. Tomczak. "That kind of makes it worthwhile."

Lawyer questions

An attorney for some fraternal clubs said a state ban on tip jar gambling in the clubs is selectively enforced because the games continue to be played in fire halls.

The Virginia Alcoholic Beverage Control Board has threatened to revoke liquor licenses and bring criminal charges against the clubs if they continue to operate tip jars. The ban took effect July 1.

Fire companies haven't been affected because they don't have liquor licenses.

"If that's not selective enforcement, I don't know what is," said Eugene Gunter, the Winchester lawyer representing fraternal clubs in the Shenandoah Valley and Northern Virginia.

He said he doesn't want to see the games outlawed in fire halls, but he said the law should be enforced consistently.

Tip jars are played in the fire halls during bingo nights, when some of the companies pack in as many as 200 people, according to one chief.

"That's where we make our money," said Larry McKay, chief of Shawnee Volunteer Fire Company, one of the three companies in the city that regularly hold the games.

People pay a dollar to buy a card of pull tabs and can win \$2 if the numbers on the tab end in certain digits. If their tab matches an amount under the seal on the jar, players can win up to about \$200.

"We're still playing them," McKay said. "That just fell under the ones serving alcoholic beverages," he said of the ban.

Gunter said the fraternal clubs, which lost a confrontation with the state in court, are pinning their hopes on legislation to reverse the ban or an order from Gov. L. Douglas Wilder to suspend its enforcement.

The Virginia Court of Appeals also has ruled that tip jars and other types of pull-tab games are illegal.

Fire companies and fraternal clubs are included among the community groups permitted by state law to hold bingo and raffles as charitable fund-raising events. With each fire company receiving \$12,800 in city tax funds this year — an amount cut from \$16,000 last year — such sources of income are becoming more important.

McKay, the only chief among the three companies who would discuss tip jars, said losing the income would be painful, but not fatal.

Officials cracking down on bingo

Portsmouth officials will join bingo players at games as part of an effort to enforce the letter of the law governing the \$3.9 million non-profit business.

Bingo groups, which are required to be non-profit by state law, have accused each other of boosting money prizes above legal limits to attract players, using improper personnel to manage their operations and running games at non-sanctioned hours, according to the city manager's office. The complaints do not allege financial impropriety.

"From the advertisements we see in Portsmouth, we know of several instances where the state code is not being enforced," said Jeff Fox, a bingo auditor with the Norfolk commissioner of revenue's office.

The legal limit for regular bingo prizes is \$100, \$1,000 for jackpots. The law prohibits organizations from hiring professionals or using non-members to conduct games.

Under a city plan soon to be drawn up, officials will make unannounced visits to bingo games. An auditor from the office of the city commissioner of the revenue will study nightly receipts and compare them with the organizations' financial reports.

If a group continues to violate the law after being warned, it could lose its operating permit and face prosecution, said Regina Bush, executive assistant to the city manager. She said complaints about the games have increased since October, with most involving accusations that the games are giving away jackpots larger than the legal limit.

A violation of the state bingo regulations is a misdemeanor punishable by up to a year in jail and a \$2,500 fine, Ms. Bush said. City officials stressed that they will be flexible.

The non-profit groups running the games include baseball leagues, churches, fraternal organizations and charities.

Be It for Love or for Money, Bingo Games Draw Big Numbers

There was no slow settling into the three-hour bingo game at the Manassas Volunteer Fire Department last Friday. As soon as the caller announced the first letter and number combination, the loud chatter in the smoky, low-ceilinged hall stopped.

The players, most of whom had staked out their seats an hour before the 7:30 p.m. game began, gripped their long, thick ink stamps and started blotting out numbers they hoped would win them a prize.

Nokesville residents Velia Valentine, who attends two or three games weekly on the western end of the county, and her once-a-week bingo companion, George Korban, scanned their array of cards, stamped out the appropriate numbers and puffed on their first cigarettes of the night.

"You go to bingo; you forget everything," said Valentine, elbows resting on one of the long tables in the room. "There's nice conversation . . . and you meet all kinds of people."

But those are only secondary reasons, she admits, for spending \$120 on bingo games each week. "I like to gamble; that's strictly my line," she said.

Korban limits himself to about \$20 worth of games during his one night per week of playing bingo. While he enjoys "the winning," it is the social atmosphere that keeps him returning every Friday night. It reminds Korban of Lebanon, his native country, where every night used to be "like a holiday" with friends gathering for conversation, he said.

Every night, 450 to 500 bingo players come out in the Prince William area to games sponsored by organizations ranging from churches to volunteer fire companies. While the players pad their pockets with the \$25 to \$1,000 prizes and jackpots, the money they put out each evening is the primary source of funding for many of the organizations.

Under state and local regulations, bingo operators can only be nonprofit or charitable organizations that will use their profits on programs and services to benefit the community, such as volunteer fire and rescue operations and student scholarships. In fiscal 1988, the organizations grossed about \$4.1 million and returned about \$2.7 million to winners, according to county records.

There are about 20 organizations in the Prince William area—most of them volunteer fire departments—that sponsor bingo games one or two times a week. Most games, depending on the amount of prize money, draw 100 to 250 people each. Along with the Manassas Volunteer Fire Department's bingo, some of the more popular games are held by the Occoquan-Woodbridge-Lorton (OWL) Volunteer Fire Company, the Knights of Columbus and the new Dale City lodge for the Veterans of Foreign Wars, on Minnieville Road.

With a crowd of 150 to 200, an organization will earn \$3,000 to \$7,000 in one night, with more than half of it usually returned to players, according to some of the bingo operators.

Bingo operators at Our Lady of the Angels Catholic Church in Woodbridge grossed about \$375,500 this past fiscal year, but kept less than a third of it to pay for church operations and community services, said Harry Sellers, who has coordinated the game for almost 30 years. Sellers said much of the money has been used to expand the church and fund its St. Vincent de Paul Center, which helps the needy.

Frequently, where the money raised from bingo games is spent is only an afterthought to players. Many choose their games according to which organization pays the highest money prizes.

"I'd like to say they" all have some allegiance to the organizations or charity, admitted Ralph Schmidt, a volunteer with the Manassas Volunteer Fire Department, which receives about 40 to 75 percent of its funding from bingo. "But I can't. They'll play bingo regardless."

The Manassas Volunteer Fire Department raised its money prizes to the state limit of \$100 per game Friday to keep the 175 to 200 players coming. "You slowly increase your payoffs to bring in your crowds," Schmidt said.

Most of the organizations offer about 15 variations of bingo each night, plus a \$1,000 jackpot. Among those games are "Letter X" or "Cover All" in which the first person to cover an X formation or all of the numbers on his or her bingo card is the winner.

An evening package deal of one bingo card per game costs about \$10, but many players will spend \$20 to \$40 for more packets to have more cards per game and increase their chances of winning.

"It used to be an old folks' game, but a lot of young people are now coming," said one woman who was playing bingo with her husband and her teenage son several Tuesdays ago at the Dale City VFW lodge. "It beats watching TV" or spending more than \$50 on a restaurant dinner and a movie, said the woman, who asked not to be identified.

APPENDIX D
PROPOSED LEGISLATION

SENATE JOINT RESOLUTION NO. 12

Continuing the Joint Subcommittee Studying Virginia's Current Bingo and Raffle Statutes.

Agreed to by the Senate, February 1, 1994

Agreed to by the House of Delegates, February 25, 1994

WHEREAS, Senate Joint Resolution No. 195, agreed to by the 1993 Session of the General Assembly, established a joint subcommittee to study Virginia's current bingo and raffle statutes; and

WHEREAS, in exploring the challenges facing the Commonwealth in the lawful conduct of bingo games and raffles, the joint subcommittee created by Senate Joint Resolution No. 195 worked diligently in reviewing the current operation of bingo and raffles across the Commonwealth and held two public hearings to receive comment by interested persons, in addition to several other meetings and work sessions; and

WHEREAS, testimony before the joint subcommittee confirmed a number of disturbing trends in the conduct of bingo games, including bogus charities acting as fronts for illegal bingo operations, exorbitant rental fees paid to bingo facility owners, and lack of consistency in the enforcement of bingo and raffle statutes; and

WHEREAS, the joint subcommittee desires to consider further the concerns and issues raised by charitable organizations, local government officials who regulate the playing of bingo, and the bingo supply manufacturers; and

WHEREAS, the joint subcommittee is interested in studying the feasibility of switching the regulation of bingo from the local governments to state control; now, therefore, be it

RESOLVED by the Senate, the House of Delegates concurring, That the Joint Subcommittee Studying Virginia's Current Bingo and Raffle Statutes be continued. As part of its continued study, the joint subcommittee shall (i) determine the feasibility of transferring control of bingo and raffle operations to an agency of state government; (ii) review the percentage of profits actually returned to charitable organizations; (iii) determine the feasibility of licensing charities, bingo operators and bingo suppliers to ensure integrity in bingo operations; and (iv) consider further the issues of fair market rental value, uniform enforcement, and statutory consistency

The joint subcommittee shall complete its work in time to submit its findings and recommendations to the Governor and the 1995 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

The direct costs of this study shall not exceed \$5,000.

Implementation of this resolution is subject to subsequent approval and certification by the Joint Rules Committee. The Committee may withhold expenditures or delay the period for the conduct of the study.

SENATE JOINT RESOLUTION NO. 13

Requesting the Virginia Congressional Delegation to introduce legislation to require U.S. military bases in the Commonwealth to adhere to Virginia law concerning the operation of bingo games conducted on the bases.

Agreed to by the Senate. February 1, 1994

Agreed to by the House of Delegates. March 2, 1994

WHEREAS, the laws of the Commonwealth authorize the conduct of bingo and raffles by certain nonprofit organizations to serve religious, educational, community or charitable purposes; and

WHEREAS, competition between charities for revenue to further their lawful charitable purposes is increasing; and

WHEREAS, current law limits the playing of bingo by a charity to two days per week and caps the prizes which may be awarded; and

WHEREAS, U.S. military bases located in the Commonwealth operate bingo games in excess of the games-per-week limitation and award prizes five to ten times greater than is allowed by state statute; and

WHEREAS, charitable organizations cannot compete with the bingo games conducted at military bases; and

WHEREAS, the survival of charitable organizations in some areas is threatened by the failure of military bases to adhere to the bingo laws of the Commonwealth; now, therefore, be it

RESOLVED by the Senate, the House of Delegates concurring, That the General Assembly request the Virginia Congressional Delegation to introduce legislation to require U.S. military bases in the Commonwealth to adhere to Virginia law concerning the operation of bingo games conducted on the bases and, be it

RESOLVED FURTHER, That the Clerk of the Senate transmit copies of this resolution to the U.S. Secretary of Defense and the members of the Virginia Congressional Delegation, that they may be apprised of the sense of the Virginia General Assembly in this matter

VIRGINIA ACTS OF ASSEMBLY -- 1994 SESSION

CHAPTER 506

An Act to amend and reenact §§ 18.2-340.1, 18.2-340.2, 18.2-340.3, 18.2-340.4, 18.2-340.5, 18.2-340.9, and 18.2-340.11 of the Code of Virginia, relating to the conduct of bingo games and raffles.

[S 210]

Approved April 9, 1994

Be it enacted by the General Assembly of Virginia:

1. That §§ 18.2-340.1, 18.2-340.2, 18.2-340.3, 18.2-340.4, 18.2-340.5, 18.2-340.9, and 18.2-340.11 of the Code of Virginia are amended and reenacted as follows:

§ 18.2-340.1. Definitions.

The following words shall have the following meanings:

1. "Organization" means any one of the following:

(a) A voluntary fire department or rescue squad or auxiliary unit thereof which has been recognized by an ordinance or resolution of the political subdivision where the voluntary fire department or rescue squad is located as being a part of the safety program of such political subdivision.

(b) An organization operated exclusively for religious, charitable, community or educational purposes; an association of war veterans or auxiliary units thereof organized in the United States; or a fraternal association operating under the lodge system.

2. "Bingo" means a specific game of chance played with individual cards having randomly numbered squares ranging from one to seventy-five, in which prizes are awarded on the basis of designated numbers on such cards conforming to a predetermined pattern of numbers selected at random. Such cards shall have five vertical rows headed respectively by the letters B.I.N.G.O., with each row having five randomly numbered squares.

3. "Raffle" means a lottery in which the prize is won by (i) a random drawing of the name or prearranged number of one or more persons purchasing chances or (ii) a random contest in which the winning name or preassigned number of one or more persons purchasing chances is determined by a race involving inanimate objects floating on a body of water, commonly referred to as a "duck race." However, nothing in this article shall prohibit an organization from using the State Lottery Department's Pick-3 number as the basis for determining the winner of a lottery. For purposes of this definition, "raffle" shall include determining the winner of a lottery by use of prepackaged pull-tab devices which are devices made completely of paper or paper products with concealed numbers or symbols that must be exposed by the player to determine wins or losses and may include the use of a seal which conceals a number or symbol that has been designated in advance as a prize winner including but not limited to pull-tab devices commonly known as tip boards or seal cards.

4. "Instant bingo" means a specific game of chance played by the random selection of one or more individually prepacked cards, with winners being determined by the preprinted appearance of the letters B.I.N.G.O. in any prescribed order on the reverse side of such card.

5. "Jackpot" means a bingo card played as a part of a bingo game defined in subdivision 2 in which all numbers on the card are covered, each number being selected at random, and with no more than one free or "wild" numbers number.

6. "Duck race" means a game of chance played by releasing numbered, inanimate toys (ducks) into a body of moving water. A person who has been assigned the same number as the first duck to cross a predetermined point in the water (the finish line) is the winner. Other prizes may be awarded on the basis of the order in which the ducks cross the finish line. Any and all restrictions and requirements applicable to the conduct of raffles in this article shall also apply to the conduct of duck races. "Landlord" means any person or his agent, firm, association, organization, partnership, or corporation, or employee thereof, which owns and leases, or leases any premise devoted in whole or in part to the conduct of bingo games, and any person residing in the same household as a landlord.

§ 18.2-340.2. Annual permit required; application fee; form of application.

Prior to the commencement of any bingo game or raffle by a qualified organization as defined in this article, the organization shall be required to obtain an annual permit from the governing body of each city or county, or any town with a population of more than 2,500 that has adopted an ordinance pursuant to § 18.2-340.8, in which a bingo game or

raffle is to be conducted, or from a local official, designated by the governing body. The permit shall only be granted after a reasonable investigation has been conducted by the locality or local official. Application for the annual permit shall be accompanied by a check in the amount of twenty-five dollars payable as designated by the local governing body or local official. In addition, the local governing body or local official may assess applicants for the cost of processing bingo and raffle applications. The application fee and additional charges may be waived by the local governing body. Application for an annual permit shall be made on the following form. However, the form may be expanded to include any other information desired by the local governing body or local official. The application shall be a matter of public record.

APPLICATION FOR PERMIT TO HOLD BINGO GAMES AND RAFFLES

- 1. Name of organization
- Address or Headquarters
- Address where bingo games will be held or raffle drawing will be conducted

Note: This permit is valid only at the above location
Days and times on which games are to be held

- 2. When was your organization founded? Has your organization been in existence in this city, town or county for ~~two~~ five continuous years?

Is it a nonprofit organization? Tax Exempt Status

No. (if applicable)

Gross receipts from all sources related to the operation of bingo games or instant bingo by calendar quarter for 12-month period immediately prior to date of this application

1st Quarter 2nd Quarter

3rd Quarter 4th Quarter

State the specific type and purpose of your organization.

- 3. Officers of organization:

President Address

Secretary Address

Treasurer Address

- 4. Type of permit applied for: Bingo Games Raffles

- 5. Member authorized by your organization who will be responsible for bingo or raffle operation?

Name

Address

Phone Business Phone

- 6. Individual responsible for filing the financial report required by this article if your organization ceases to exist.

Name

Address

Phone Business Phone

- 7. Does your organization understand that it is a violation of law to enter into a contract with any person or firm, association, organization (other than another qualified organization pursuant to § 18.2-340.13 of the Code of Virginia), partnership or corporation of any classification whatsoever, for the purpose of organizing, managing or conducting bingo games or raffles?

- 8. Does your organization understand that it must maintain and file complete records of receipts and disbursements pertaining to bingo games and raffles and that such records are subject to audit by(insert designated local official)?

- 9. Has your organization attached a check for the annual permit fee payable to the (insert designated local official)?

- 10. Does your organization understand that any organization found

in violation of § 18.2-340.10 of the Code of Virginia authorizing this permit is subject to having such permit revoked and any organization or person, shareholder, agent, member or employee of such organization who violated § 18.2-340.10 or Article 1.1 (§ 18.2-340.1 et seq.) of Chapter 8 of Title 18.2 of the Code of Virginia may be guilty of a felony?

11. Does your organization understand that it will be required to furnish a complete list of its membership upon the request of the local governing body?

12. I hereby swear or affirm under the penalties of perjury as set forth in § 18.2-434 of the Code of Virginia, that all of the above statements are true to the best of my knowledge, information and beliefs. All questions have been answered.

Signed by

.....
Name Title Address

Subscribed and sworn to before me, thisday of, 19..

My commission expires:

....., 19.. Notary, 19.. Notary Public.

§ 18.2-340.3. Requirement for issuance of permit; where valid; duration; permits subject to local regulation.

Prior to the issuance of any permit, the organization must meet the following requirements:

1. Except for recently established volunteer fire and rescue companies or departments, as defined in this article, after county, city or town approval, the organization shall have been in existence and met on a regular basis in the county, city or town or in a county, city or town adjacent to the county, city or town where application is made for a period of at least ~~two~~ five years immediately prior to applying for a permit. ~~The local governing body may require the organization to have a membership consisting of at least fifty percent residents of the Commonwealth, and to furnish a complete list of its membership in order for the local governing body to ascertain the percentage of Virginia residents. In no case shall the organization apply for or receive more than one permit.~~ However, this requirement shall not apply (i) to any lodge or chapter of a national or international fraternal order or a national or international civic organization which is exempt under § 501 (c) (3) of the United States Internal Revenue Code and which has a lodge or chapter holding a bingo permit issued under the provisions of this article anywhere within this Commonwealth, or (ii) where the local governing body of a county, city or town provides for the issuance of a bingo or raffle permit to booster clubs which have been operating for less than ~~two~~ five years, and which have been established solely to raise funds for school-sponsored activities in public schools which are less than ~~two~~ five years old. *The local governing body shall require the organization to have a membership consisting of at least fifty percent of the residents of the Commonwealth, and to furnish a complete list of its membership in order for the local governing body to ascertain the percentage of Virginia residents. In no case shall the organization apply for or receive more than one permit.*

2. A permit shall be valid only in the jurisdiction wherein the application is approved and only at the locations designated in the permit application. However, a permit may be issued to an organization which relocates its meeting place on a permanent basis from one jurisdiction to another and complies with the requirements of subdivision 1 of this section and provided further that the organization was the holder of a valid permit at the time of its relocation. An organization which has obtained a permit under this article to conduct a raffle may sell raffle tickets both in and out of the jurisdiction issuing the permit and may conduct its drawing either in the jurisdiction in which a majority of the tickets were sold or in the jurisdiction issuing the permit, except that pull-tab devices as defined in § 18.2-340.1 used as part of a raffle may be sold only upon the premises owned or exclusively leased by such organization and at such times as it is not ~~opened~~ open to the public, except to members and their guests.

3. The organization shall be operated currently and shall have always been operated in the past as a nonprofit organization and shall have been in existence as a nonprofit organization for a period of at least ~~two~~ five years immediately prior to seeking a permit as hereinafter provided.

4. Any organization whose gross receipts from all bingo operations exceed or can be expected to exceed \$75,000 in any calendar year shall have been granted tax-exempt status

pursuant to § 501 (c) of the United States Internal Revenue Code. At the same time tax-exempt status is sought from the Internal Revenue Service, the same documentation may be filed with the local governing body for an interim certification of tax-exempt status. If such documentation is filed, the local governing body may, after reviewing such documentation as it may deem necessary, issue its determination of tax-exempt status within sixty days of receipt of such documentation. The local governing body may charge a reasonable fee, not to exceed \$500. This interim certification of tax-exempt status shall be valid until the Internal Revenue Service issues its determination of tax-exempt status, or for eighteen months, whichever is earlier.

5. An organization shall designate an individual who shall be responsible for filing the annual or quarterly financial report required by this article if the organization goes out of business or otherwise ceases to exist.

All permits shall be issued on a calendar basis and unless otherwise provided shall be valid for one calendar year beginning on January 1.

All applications for a permit shall be acted upon by the governing body, or its designated official, within sixty days from the filing thereof.

Upon compliance by the applicant with the provisions of this article, and at the discretion of the governing body or its designated official, a permit may be issued. All permits shall be subject to reasonable regulation by the local governing body or its designated local official to ensure the public safety and welfare in the operation of bingo games and raffles. ~~Any~~ A local governing body ~~may~~ shall, by ordinance, require as a condition of receiving the permit that the permittee shall use a predetermined percentage of its gross receipts from all bingo games or raffles for (i) those lawful religious, charitable, community or educational purposes for which the organization is specifically chartered or organized or (ii) those expenses relating to the acquisition, construction, maintenance, or repair of any interest in the real property involving the operation of the organization and used for lawful religious, charitable, community or educational purposes. The percentage shall be uniformly applied and shall be determined by the local governing body.

§ 18.2-340.4. Frequency and conduct of bingo games.

No organization may hold bingo games more frequently than two calendar days in any one calendar week, except that a special permit may be granted an organization which entitles the organization to conduct more frequent operations during carnivals, fairs and other similar events at its principal meeting place or any other site selected by such organization which is located in the jurisdiction issuing the permit and which is not in violation of any local zoning ordinance.

The sponsoring organization shall accept only cash or, at its option, checks in payment of any charges or assessments for players to participate in bingo games. *However, no organization shall accept postdated checks in payment of any charges or assessments for players to participate in bingo games. No organization or any person on the premises shall extend lines of credit or accept any credit or debit card or other electronic fund transfer in payment of any charges or assessments for players to participate in bingo.*

§ 18.2-340.5. "Instant bingo."

A. Any organization qualified to conduct bingo games pursuant to the provisions of this article is authorized to play "instant bingo" as a part of such bingo game and only at such location and at such times as are specified in the bingo application permit for regular bingo games as defined in § 18.2-340.1.

B. The gross receipts in the course of a reporting year from the playing of "instant bingo" shall not exceed fifty percent of the gross receipts of an organization's bingo operation.

C. The governing body of any county, city or town is hereby authorized to adopt a local ordinance prohibiting the playing of "instant bingo."

D. Any organization playing "instant bingo" shall maintain a record of the date, quantity and card value of instant bingo supplies purchased as well as the name and address of the supplier of such instant bingo supplies. The organization shall also maintain a written invoice or receipt from a nonmember of the organization verifying any information required by this subsection.

E. No organization shall sell an "instant bingo" card to any individual below sixteen eighteen years of age.

§ 18.2-340.9. Prohibited practices.

In addition to those other practices prohibited by this article, the following acts or practices shall also be prohibited under the provisions of this article:

A. Except for reasonable and proper operating costs, including costs associated with providing clerical assistance in the conduct of bingo games or raffles for organizations

composed of or for deaf or blind persons, publicizing the time and place of bingo games and raffles, and prizes, no part of the gross receipts derived by an organization, as herein defined, permitted to conduct bingo games or raffles may be used for any purpose other than (i) those lawful religious, charitable, community or educational purposes for which the organization is specifically chartered or organized and (ii) expenses relating to the acquisition, construction, maintenance, or repair of any interest in the real property involving the operation of the organization and used for lawful religious, charitable, community or educational purposes.

B. No organization shall enter into a contract with, or otherwise employ for compensation any person, firm, association, organization, partnership, or corporation of any classification whatsoever for the purpose of organizing, managing, or conducting bingo games or raffles. However, this subsection shall not prohibit the joint operation of bingo games under § 18.2-340.13.

C. No person, firm, association, organization, partnership, or corporation shall pay or receive for use of any premises devoted, in whole or in part, to the conduct of bingo games or raffles any consideration in excess of the current fair market rental value of such property. For purposes of this article, no fair market rental value consideration shall be based upon or determined by reference to a percentage of the proceeds derived from the operation of bingo games or raffles nor shall such consideration be based upon or determined by any reference to the number of people in attendance at such bingo games or raffles. Each day in violation of this subsection shall constitute a separate Class 1 misdemeanor as set forth in § 18.2-340.10.

D. No building or other premises shall be utilized in whole or in part for the purpose of conducting bingo games more frequently than two calendar days in any one calendar week, and the local governing body of any county, town, or city may adopt an ordinance establishing a reasonable limitation on the number of bingo games that may be conducted in any one calendar day. However, the provisions of this subsection shall not apply to the playing of bingo pursuant to a special permit issued in accordance with § 18.2-340.4. The local governing body of any county, town, or city may adopt an ordinance establishing reasonable hours during which bingo games held pursuant to this article may be played within such jurisdiction. No building or other premises owned by an organization as defined in § 18.2-340.1 of this article and qualified as a tax-exempt organization pursuant to § 501 (c) of the Internal Revenue Code shall be utilized in whole or in part for the purpose of conducting bingo games more frequently than four calendar days in any one calendar week. One building or premises owned by any county, city, or town shall be exempt from the provisions of this subsection.

E. Except for ~~(i)~~ persons employed as clerical assistants by organizations composed of or for deaf or blind persons, ~~(ii) members of civic and fraternal groups or (iii) employees of a corporate sponsor of a qualified organization,~~ only bona fide members of any such organization who have been members of such organization for at least ninety days prior to such participation shall participate in the management, operation or conduct of any bingo game or raffle. *Notwithstanding the foregoing, employees of a corporate sponsor of a qualified organization may participate in the management, operation or conduct of one raffle per year.* Except as provided herein, no person shall receive any remuneration for participating in the management, operation or conduct of any such game or raffle. Persons employed by organizations composed of or for deaf or blind persons may receive remuneration not to exceed thirty dollars per event for providing clerical assistance in the conduct of bingo games or raffles only for such organizations. ~~The local governing body may, by ordinance, limit the number of organizations for which any person may participate in the management, operation, or conduct of bingo games or raffles.~~ Persons eighteen years of age and under who sell raffle tickets to raise funds for youth activities in which they participate may receive nonmonetary incentive awards or prizes from the organization provided that organization is nonprofit. The spouse of any such bona fide member or a fire fighter or rescue squad member employed by a political subdivision with which the volunteer fire fighter or rescue squad member is associated may participate in the operation and conduct of a bingo game or raffle if a bona fide member is present.

F. ~~No person shall manage, operate or conduct bingo games or raffles if, within the past five years, he has been convicted of a felony or a crime involving moral turpitude, or has operated a bingo game or raffle in violation of state law or local ordinance. No landlord shall, at bingo games conducted on the landlord's premises, (i) participate in the conduct, management, or operation of any bingo games; (ii) sell, lease or otherwise provide for consideration any bingo supplies, including, but not limited to, bingo cards, instant bingo cards, markers, or other game pieces; or (iii) require as a condition of the lease or~~

by contract that a particular manufacturer, distributor or supplier of bingo supplies or equipment be used by the organization. If equipment or services are included by a landlord in any lease or contract, the lease or contract shall itemize the amount attributable to the rent of the premises, equipment, and each service to be provided by the landlord.

The provisions of this subsection shall not apply to any charitable organization conducting bingo games on their own behalf and which owns the premises where such bingo games are held.

G. No organization shall enter into any contract with or otherwise employ or compensate any member of that organization regarding the sale of bingo supplies or equipment.

H. No organization shall award any bingo prize money or any merchandise valued in excess of the following amounts: (i) no bingo door prize shall exceed \$25, (ii) no regular bingo or special bingo game prize shall exceed \$100, (iii) no instant bingo prize for a single card shall exceed \$500, and (iv) no bingo jackpot of any nature whatsoever shall exceed \$1,000, nor shall the total amount of bingo jackpot prizes awarded in any one calendar day exceed \$1,000.

Except as provided herein, no organization shall award any raffle prize valued at more than \$100,000. The \$100,000 limitation shall not apply to a raffle conducted no more than once per calendar year by an organization qualified as a tax-exempt organization pursuant to § 501 (c) (3) of the Internal Revenue Code for a prize consisting of a lot improved by a residential dwelling where 100 percent of the moneys received from such a raffle, less deductions for the fair market value for the cost of acquisition of the land and materials, are donated to lawful religious, charitable, community, or educational organizations specifically chartered or organized under the laws of the Commonwealth and qualified as a § 501 (c) (3) tax-exempt organization.

The award of any prize money for any bingo game or raffle shall not be deemed to be part of any gaming contract within the purview of § 11-14.

I. Any bingo game in which all the gross receipts from players for that game are paid as prize money back to the players shall not be subject to the limitations of subdivision H of this section, but there shall not be more than one such game per calendar day of play and the prize money from any such game shall not exceed \$1,000.

J. Any organization composed of or for deaf or blind persons that employs a person not a member to provide clerical assistance in the conduct of bingo games or raffles shall have in force fidelity insurance, as defined in § 38.2-120, written by an insurer licensed to do business in the Commonwealth.

K. No person shall participate in the management, operation or conduct of any bingo game or raffle if, within the preceding five years, he has been convicted of a felony or crime of moral turpitude. Further, no person shall participate in the management, operation or conduct of any bingo game or raffle if that person, within the past five years, has participated in the management, operation, or conduct of any bingo game or raffle which was found by a local permitting authority or by a court of competent jurisdiction to have been operated in violation of state law or local ordinance.

§ 18.2-340.11. Injunctive relief.

In the event that an organization violates the provisions of this article, ~~then the Commonwealth's attorney~~ or the appropriate city or county attorney of the political subdivision which issued a permit may, ~~in addition to the foregoing criminal penalties,~~ apply to the appropriate circuit court for an injunction restraining the continued operation of bingo games or raffles or any aspect thereof, *in addition to the criminal penalties authorized by this article.*

2. That the provisions of this act requiring organizations to be in existence for five years prior to the issuance of a permit shall apply only to original permit applications filed on or after the effective date of this act.