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Tennessee veterans take a chance on Amendment 4

By: Andy Sher | October 1, 2014

NASHVILLE – On its face, it would appear to be the least controversial of the four proposed changes to Tennessee's Constitution on the November ballot.

But proponents worry that Amendment 4, which would let many veterans' organizations join the list of nonprofit groups allowed to hold annual charitable gaming fundraisers, may not pass muster with voters.

"The way it's worded, people won't know what's going on," fretted state Sen. Rusty Crowe, R-Johnson City, who shepherded the amendment through the legislative approval process to get it before voters on Nov. 4.

"I think it's going to have a hard time passing. You go into a [voting] booth, and you don't know what it is," Crowe said.

He may have a point.

The amendment's language doesn't use the word "veterans" at all. Instead, it uses the U.S. Tax Code's official designation for nonprofit veterans' service organizations like the American Legion and Veterans of Foreign Wars.

That's the Internal Revenue Service's Code Section 501(c)(19). And that's what Tennesseans will see on the ballot.

But while the wording of provision is confusing, the goal is pretty simple.

It amends Article XI, Section 5 – the same section approved by voters in 2002 to authorize the Tennessee Lottery – to add veterans groups to the list of charitable organizations whose IRS-granted 501(c)(3) nonprofit status allows them to hold annual gambling fundraisers.

Individual fundraising events each must be approved by two-thirds majorities of the House and Senate.

A state statute restricts nonprofit gaming to events like raffles, reverse raffles, cakewalks and cakewheels. Bingo is not one of the authorized games. The reason for that is one of the darkest and bloodiest chapters in Tennessee political history – the charitable bingo industry scandal of the 1980s.

In the industry's heyday, some 300 bingo halls operating across Tennessee raked in millions of dollars, but little of the cash coming in went to charity. Many halls were run by professional gambling operators with no real connection to the nonprofit charitable organizations in whose names they were licensed.

State lawmakers for years ignored news reports of money skimming or of nonprofit charters being "rented" or purchased by for-profit gamblers. Professional gamblers and their leaders even had their own political action committee, with some proceeds winding up in political campaigns.

But in 1986, the FBI, IRS, Tennessee Bureau of Investigation and U.S. prosecutors got involved. Their investigation, dubbed "Rocky Top," erupted publicly with the guilty plea in early 1989 of the state's former chief bingo inspector, W.D. "Donnie" Walker of Marion County, who had left his state job to become a bingo lobbyist. Walker pleaded guilty to attempted bribery of a state lawmaker, Republican Randy McNally, on a horse-racing bill.

McNally wore a secret audiotape for investigators and captured Walker boasting about other payments made to lawmakers.

As the scandal ran its course, then-Secretary of State Gentry Crowell, whose office regulated bingo, committed suicide in advance of his third federal grand jury appearance. State Rep. Tommy Burnett, D-Monterey, was later convicted of having a secret interest in a bingo hall. State Rep. Ted Ray Miller, D-Knoxville, committed

ABOUT THIS SERIES

Stories on the four constitutional amendments Tennessee voters will decide on Nov. 4 are the work of the Tennessee News Network, a consortium of the state's largest newspapers. Journalists from the Chattanooga Times Free Press, the Memphis Commercial Appeal, the Knoxville News Sentinel and The Tennessean in Nashville reported, wrote and edited the stories.

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- **Amendment 1:** Concerning abortions

MONDAY

- **Amendment 2:** Concerning judicial elections

TUESDAY

- **Amendment 3:** Concerning a ban on a state income tax

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- **Amendment 4:** Concerning lotteries

BALLOT WORDING

Proposed Constitutional Amendment 4 for the Nov. 4, 2014, General Election Ballot

Shall Article XI, Section 5 of the Constitution of Tennessee be amended by deleting the following language:

All other forms of lottery not authorized herein are expressly prohibited unless authorized by two-thirds vote of all members elected to each house of the General Assembly for an annual event operated for the benefit of a 501(c)(3) organization located in this state, as defined by the 2000 United States Tax Code or as may be amended from time to time.

and by substituting instead the following language:

All other forms of lottery not

suicide. Miller had allegedly been caught taking bribes on a non-bingo matter. But the feds reportedly delayed his indictment while seeking his cooperation on bingo corruption.

The Tennessee Supreme Court finally weighed in with a ruling that bingo was illegal under the state constitution's lottery ban.

But Dean A. Tuttle, adjutant and finance officer with the American Legion Department of Tennessee, said the end of charitable bingo a quarter-century ago was devastating to legitimate veterans service organizations. Tuttle said money raised from bingo supported veterans and their families with things like student scholarships and other aid, as well causes like veterans health care.

"Likely about 80 percent of our Post homes or Legion homes are probably now nonexistent," Tuttle said, noting that many groups now meet in churches to schools rather than dedicated halls. "It is awfully tough to go out there and make it baking cakes and washing cars."

While a number of the remaining veterans' halls are licensed to serve alcohol, the money drink sales generate is still not enough to pay for such aid programs, Tuttle said.

Once-a-year gaming events like raffles and cakewalks aren't ideal, but they would help, said Tuttle, who along with many colleagues would like to see a bingo comeback.

Like Crowe, Tuttle worries about the amendment's chances, given the lack of public discussion and the wording of the proposal.

"If you don't know the IRS code you have no idea of what it's doing," he said of the amendment.

Moreover, unlike the three other proposed constitutional amendments on the ballot, no specially created committees are raising money to push the issue with voters.

"Should we [fund an effort]?" Tuttle asked. "Absolutely. But when you have no money, it makes it awfully difficult."

But he thinks organization leaders will start discussing the issue more publicly ahead before early voting starts Oct. 15.

The other amendments would allow state lawmakers to further restrict abortions; maintain the governor's ability to appoint appellate judges but with legislative confirmation; and ban a state income tax.

To succeed, each amendment must receive at least half as many "yes" votes as the total number of votes in the governor's race.

As to why veterans groups weren't included in the 2002 constitutional amendment, some lawmakers say it was because lawmakers inadvertently failed to specify their IRS 501(c)(19) designation along with the 501(c)(3) groups.

Others say that with the Rocky Top scandal still fresh, lawmakers didn't want to hurt chances for the lottery, although most veterans groups shunned dealings with professional gamblers.

Among state lawmakers who voted against putting Amendment 4 on this year's ballot was Rep. Richard Floyd, R-Chattanooga. Gambling in any form goes against his "core values," said Floyd, who is leaving office at the end of his term.

"I'm very seldom against anything to do with veterans, but gaming, you're taking something from somebody," Floyd said. "It's like the lottery; that's just a tax on poor people."

McNally, the lawmaker who as a freshman helped the FBI expose corruption and break up professional gamblers' schemes, said he believes veterans groups should be allowed to join other nonprofits holding annual gambling fundraisers.

"I think the state has proper safeguards to prevent what happened in the past like the Army-Navy Union, the bogus-type organizations that came in," McNally said. "You know, you've got legislative oversight and the secretary of state's oversight. It's a lot more professional than it was back in the day."

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authorized herein are expressly prohibited unless authorized by a two-thirds vote of all members elected to each house of the General Assembly for an annual event operated for the benefit of a 501(c)(3) or a 501(c)(19) organization, as defined by the 2000 United States Tax Code, located in this state.

Yes

No

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