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Re: Support for HB 386 / Companion to SB 170

To the Members of the House Labor & Commerce Committee:

My name is Matt Fischer, and I am the owner of Alaska Wholesale LLC in Kasilof. We are an Alaska-owned charitable gaming distributor, and my family has been involved in this industry in Alaska for more than 30 years. I am writing in strong support of HB 386, the House companion to SB 170.

Charitable gaming is extremely important to nonprofits across Alaska. The organizations that rely on this revenue are deeply woven into the fabric of our state. Youth sports, senior programs, veterans organizations, fraternal groups, and many other community-based nonprofits depend on charitable gaming proceeds to continue serving Alaskans.

There is also strong and widespread support for this legislation. That matters. Charitable gaming has many nuances, and people in this industry do not always agree on every detail. But this bill has brought together broad support because so many of us recognize the same basic reality: nonprofits need a path forward that reflects today's costs and today's market.

As an Alaska-owned distributor, we strongly support that effort. We live here, we work here, and we understand how important it is that Alaska's charitable gaming system continue to serve Alaska nonprofits as effectively as possible.

We also understand that the economics of the current paper-only model have become more difficult, especially in rural Alaska. Paper costs more, freight costs more, and operating costs more, yet the selling price remains fixed. That creates a particular disadvantage for smaller and rural communities. Although shipping is generally paid by the distributor, those costs are built into pricing, meaning rural operators ultimately pay more. At the same time, many rural locations do not use paper products in high enough volume to receive the same quantity discounts available in larger markets. They face higher effective costs, but still must sell the same \$1 ticket. That makes the current system especially difficult for rural Alaska.

The urgency of this bill is very real. We recently received notice of a 5 percent increase in our paper cost, and shipping rates were already up 38 percent even before the current Middle East issues. We expect much more in the way of increases in both shipping and paper costs. Alaska nonprofits cannot afford to wait until next session for this bill. The pressure on the current system is not hypothetical. It is happening now.

That is one of the reasons this legislation matters. It gives nonprofits another tool to remain competitive and generate revenue without relying entirely on a model that has become harder and harder to sustain, particularly in smaller and rural markets.



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I also want to specifically recognize Senator Bjorkman's work on this issue. Charitable gaming is not simple. It involves many moving parts, many stakeholders, and many competing concerns. We believe Senator Bjorkman has done an outstanding job of balancing the needs of the industry while at the same time ensuring this bill is truly about giving nonprofits the best possible outcome.

I also want to briefly address two concerns that have been raised about the bill.

First, some of the discussion around the manufacturer and distributor share treats the number in the bill as though it were a required rate and as though it were pure profit. It is neither. The bill sets a cap, not a mandate, so the parties remain free to negotiate a lower rate. And that share should not be confused with profit, because the vast majority of those dollars are reinvested back into creating new games and continuing product development. It is also not accurate to suggest that electronic games are cheaper to produce simply because they are not paper products. These systems require significant investment in development, programming, testing, and certification. Our selected partner, Pilot Games, spends over \$300,000 to develop a single game and has been producing roughly one new game every week for the Minnesota market.

Second, the concern about payout percentage should be viewed in light of how different charitable gaming environments actually operate. Electronic pull-tabs can support more player-friendly payouts because they function on a revenue-share basis rather than the same structure as paper pull-tabs. It is also important to understand that different venues can succeed with different payout strategies. A bingo hall may be able to support lower-payout games because customers are already there to play bingo, while a pull-tab store must offer more chances to win in order to attract players. That is one of the many nuances in charitable gaming. A location that wants lower-payout games can still work with the manufacturer to offer products that fit that location.

That balance is exactly why this bill has earned such broad support. It is not about changing charitable gaming for the sake of change. It is about strengthening a system that helps fund important community organizations all across Alaska and making sure that system remains viable in the years ahead.

For those reasons, I respectfully urge your support for HB 386.

Sincerely,

Matt Fischer

Owner

Alaska Wholesale LLC

Kasilof, Alaska