

Senate Bill 146

An Act relating to pull-tabs; relating to persons prohibited from involvement in gaming; and relating to the duties of the Department of Revenue

Senate Labor & Commerce Committee
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Presented by:
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SB 146 – Current Pull-Tab Gaming Structure

Tax Division mission: To collect taxes, inform stakeholders, and regulate charitable gaming.

Who can conduct gaming activities in Alaska?

- Municipalities
- Qualified nonprofit organizations

What are examples of a qualified nonprofit organization?

- Civic or Service Organizations
- Religious
- Charitable
- Fraternal
- Veterans
- Labor
- Political
- Educational
- Police Or Fire Departments and Companies
- Dog Mushers' Associations
- Outboard Motor Associations
- Fishing Derby
- Nonprofit Trade Associations

SB 146 – Current Pull-Tab Gaming Structure

Overview

- Annual permits range from \$20 to \$100
- 1% fee on net proceeds annually from permittees with gross receipts of \$20,000 or more
- Annual licenses range from \$500 to \$2,500
- 3% tax on pull-tabs sold by distributor due monthly

Historical Revenue

| Pull-Tabs Collection Summary | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|-------------------------------------|------------------------|------------------------|------------------------|------------------------|
| 3% Pull-Tab Tax | \$ 1,518,817.83 | \$ 2,172,975.66 | \$ 2,212,722.72 | \$ 2,268,040.79 |
| Net Proceeds Fee | 185,619.00 | 305,944.93 | 292,319.70 | 299,627.69 |
| License Fees | 138,014.00 | 127,515.00 | 126,054.00 | 129,210.00 |
| Total Collections | \$ 1,842,450.83 | \$ 2,606,435.59 | \$ 2,631,096.42 | \$ 2,696,878.48 |

SB 146 – Current Pull-Tab Gaming Structure

Historical Data

| Applications | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|---------------------------------|--------------|--------------|--------------|--------------|
| Permittees | 1,077 | 1,165 | 1,020 | 1,045 |
| Operators | 26 | 30 | 18 | 20 |
| Multiple-Beneficiary Permittees | 15 | 14 | 12 | 13 |
| Distributors | 8 | 8 | 8 | 6 |
| Manufacturers | 7 | 6 | 6 | 6 |
| Total | 1,133 | 1,223 | 1,064 | 1,090 |

| Reports | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|---------------------------------|--------------|--------------|--------------|--------------|
| Permittees | 3,266 | 3,407 | 3,425 | 3,344 |
| Operators | 165 | 153 | 122 | 118 |
| Multiple-Beneficiary Permittees | 105 | 98 | 72 | 74 |
| Distributors | 109 | 100 | 95 | 88 |
| Manufacturers | 98 | 70 | 66 | 79 |
| Total | 3,743 | 3,828 | 3,780 | 3,703 |

SB 146 – Pull-Tab Gaming History

1960 – The Alaska Legislature legalized gaming and gave oversight for all gaming activities to the Department of Revenue (DOR).

1984 – The DOR authorized pull-tabs by regulation.

1988 – The Legislature legalized operators, authorized pull-tabs, and increased prize limits.

1989 – Under administrative order, gaming functions transferred to the Department of Commerce, Community and Economic Development.

1993 – Under administrative order, gaming functions transferred back to the DOR and the Legislature significantly changed various aspects of the gaming statutes to include:

- Permittees allowed to contract with 3rd-party vendors to sell pull-tabs
- Multiple-Beneficiary Permits (MBPs) created
- Minimum payments by operators to the permittees, increased from 15% to 30% of adjusted gross income for pull-tab games

SB 146 – Bill Overview

Allows pull-tab games to be expanded from traditional paper pull-tabs to include electronic pull-tabs or e-tabs.

- Current statute defines a "pull-tab game" as a game of chance where a card, the face of which is covered to conceal a number, symbol, or set of symbols, is purchased by the participant and where a prize is awarded for a card containing certain numbers or symbols designated in advance and at random.

Increases the prize limits for permittees who contract with an operator from a maximum of \$500,000 in prizes each year to a maximum of \$2,000,000 in prizes each year for electronic pull-tab activities and a maximum of \$1,000,000 in prizes each year for other gaming activities.

Provides unique limitations for electronic pull tab systems that the paper pull-tab games do not have:

- A series may not exceed 15,000 tickets
- A Vendor may not have more than five electronic pull tab devices on premises
- An Operator may not have more than ten electronic pull tab devices on premises

Note: There is no limit for the number of electronic pull tab devices for permittees.

SB 146 – Estimated Revenue Impact

Data from five other states that have implemented e-tabs was used to prepare the fiscal analysis.

- Minnesota
- New Hampshire
- Kentucky
- Virginia
- North Dakota

The average of the other five states was used for the fiscal note.

This estimated revenue is one option in a wide range of uncertainty. We have provided the high and low cases of our analysis below to demonstrate the possible range of outcomes.

| Possible Alaska Additional Revenue from Adding E-Tabs (\$ millions) | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|
| FY | 2026 | 2027 | 2028 | 2029 | 2030 |
| Low Case Scenario | \$0.3 | \$0.7 | \$1.1 | \$1.8 | \$1.8 |
| Average | \$1.0 | \$2.1 | \$2.5 | \$2.8 | \$3.0 |
| High Case Scenario | \$1.4 | \$2.9 | \$4.4 | \$5.3 | \$5.5 |
| Note, FY 2025 impact expected to be zero, due to first e-tab sales in FY 2026. | | | | | |

SB 146 – Implementation Cost

- The Charitable Gaming group has been reduced due to budget cuts over recent years
- Currently very small group within the Tax Division
- SB 146 creates an added burden on the group that necessitates adding positions to provide adequate service to permittees, operators and others as well as enforcement
- Two positions at a cost of \$225,300 per year as part of fiscal note
- Other costs for software and forms updates will be absorbed by the Division

SB 146 – Sectional Analysis

Section 1: Amends the examination of books and records in AS 05.15.070 to include electronic pull-tab systems.

Section 2: Amends AS 05.15.180(a) to clarify the authority of the Department of Revenue to authorize and regulate the use of electronic pull-tabs in the state.

Section 3: Amends AS 05.15.180(b) to include electronic pull-tab systems as an allowable activity under this chapter.

Section 4: Amends AS 05.15.180(g) for the prize limits for permittees that contract with an operator to a maximum of \$2,000,000 in prizes each year for electronic pull-tab activities and a maximum of \$1,000,000 in prizes each year for other gaming activities.

SB 146 – Sectional Analysis Continued

Section 5: Amends AS 05.15.181(a) to include electronic pull-tab systems to pull-tab manufacture's license as required by the Department.

Section 6: Amends AS 05.15.181(c) to include an encryption requirement for pull-tabs and remove the requirement for a serial number issued by the National Association of Fundraising Ticket Manufacturers or other serial number label.

Section 7: Amends AS 05.15.181(d) to allow pull-tab manufacturers the ability to distribute electronic pull-tab systems to licensed distributors.

Section 8: Adds AS 05.15.181(f)-(j) to require a specific electronic pull-tab endorsement for manufacturers and distributors; provisions for the security and encryption of electronic pull-tabs; and requiring the submission of electronic pull-tabs and pull-tab systems for independent testing and certification.

SB 146 – Sectional Analysis Continued

Section 9: Amends AS 05.15.183(a) to require a pull-tab distributor license to distribute electronic pull-tab systems.

Section 10: Amends AS 05.15.183(c) to require electronic pull-tab systems to be distributed from a location in the state.

Section 11: Amends AS 05.15.183(e) to allow pull-tab distributors to deliver electronic pull-tab series information to a vendor's location.

Section 12: Adds AS 05.15.183(f)-(g) to require an electronic pull-tab endorsement for a licensed distributor.

SB 146 – Sectional Analysis Continued

Section 13: Amends AS 05.15.185 to conform with language from Section 6.

Section 14: Adds AS 05.15.185(b)-(c) to include the following specific requirements for electronic pull-tabs series:

- Have a predetermined and finite number of winning and non-winning tickets.
- Have a predetermined prize amount and structure.
- Have a unique serial number that is not regenerated.
- A series may not exceed 15,000 tickets.

Section 15: Amends AS 05.15.187(e) to include language preventing a person under the age of 21 from accessing or redeeming a pull-tab.

SB 146 – Sectional Analysis Continued

Section 16: Adds AS 05.15.187(j)-(m) to include the following restrictions on the electronic pull-tab devices:

- A Vendor may not have more than five electronic pull tab devices on premises.
- An Operator may not have more than ten electronic pull tab devices on premises.
- May only accept U.S. currency in paper form, purchased credits, or a credit voucher.
- May not mimic a slot machine.
- May not dispense anything of value other than a credit voucher.

Section 17: Amends AS 05.15.188(i) to include electronic fund transfer as an option for vendors to pay the member-in-charge (permittee), the ideal net, less compensation owed to the vendor.

Section 18: Adds AS 05.15.188(l) to prohibit the Department from registering a vendor who is otherwise barred under AS 05.15.105.

SB 146 – Sectional Analysis Continued

Section 19: Amends AS 05.15.690(38) to expand the definition of a pull-tab or pull-tab game to include an “electronic representation of a card”.

Section 20: Amends AS 05.15.690(45) to expand the definition of a series to include “electronic pull-tabs that have a unique serial number”.

Section 21: Adds AS 05.15.690(50) to define an “electronic pull-tab system”.

Thank you

Questions?

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