

Dear Legislators,

My name is David Lambert, and I am writing to you from Fairbanks, Alaska. I have been deeply involved in charitable gaming in Alaska for over 35 years, encompassing roles as a permittee, vendor, and operator. I hold the distinction of having held a State of Alaska operator license longer than anyone else in the state. Through my operations, I currently contract with over 140 non-profit organizations, representing more than 13.5% of all active charitable gaming permits in Alaska. Furthermore, over 12.5% of all charitable gaming proceeds provided to nonprofits in the state have come through my efforts.

I share this extensive background to emphasize my comprehensive understanding of charitable gaming and its significant impact on nonprofit permittees. I am writing to express my support for the proposed legislation, recognizing that while it may not be perfect, it represents a necessary step forward. As you deliberate, I urge you to prioritize the best interests of Alaska's nonprofits.

Nonprofits in our state are facing an unprecedented reliance on charitable gaming funding. Historically, most of the revenue has been generated through paper pull-tab sales. However, the demographic that traditionally

purchased these paper pull-tabs is aging, and we are seeing a significant decline in sales. From 2023 to 2024, our paper pull-tab sales as an operator decreased by 19%. The self-directed nonprofits with their own pull-tab stores, including fraternal's experienced an even steeper decline of over 30% during the same period. Tragically, many of these self-directed stores have been forced to close due to economic unsustainability.

Consider that a dollar pull-tab cost one dollar 35 years ago, and it remains one dollar today. In contrast, operations cost have risen sharply. The cost of paper pull-tabs has increased from less than a penny apiece to over six cents during that same timeframe. Wages have more than tripled since 1990, and rents have more than doubled. These rising costs indicate that paper pull-tabs are likely to become obsolete due to economic pressures alone. Therefore, if a price percentage is to be imposed on electronic pull-tabs, a similar price percentage must also be applied to paper pull-tabs to ensure fairness. For instance, our AMVETS games, once factoring in game costs and state tax, cost about 36% of the idea net. Just a few years ago the same AMVETS game was only 18% of the ideal net. That's 100% increase. In our North Pole store, the additional 5.5% sales tax further erodes proceeds, leaving insufficient funds for operating costs.

Drawing on my experience as the primary member in charge of charitable gaming permits for the Alaska Dog Mushers Association and the Fairbanks Junior Dog Musher Association in the early 1990s, I understand the operational dynamics involved when permittees utilize various vendor locations and charitable gaming operators. Having transitioned to an operator 26 years ago, I have been actively involved in legislative and regulatory changes throughout the years.

It is crucial to recognize the necessity of modernizing the charitable gaming industry. The fundamental question before you is whether this legislation will primarily protect the nonprofits and ensure their continued access to crucial funding, or if it will disproportionately benefit pull-tab distributors and large bingo halls. Distributors appear to be advocating for tablets exclusively, a strategy that statistics from other states suggest is insufficient to significantly reduce paper pull-tab sales. Without a cap on the price of paper pull-tabs, their current pricing trend will render them obsolete regardless. Representatives of large bingo halls are also lobbying for tablets only, seemingly to eliminate competition from fraternal's and self-directed nonprofits and to integrate pull-tab play seamlessly with their existing electronic bingo offerings. This approach is not in the best interest of the nonprofits who depend heavily on charitable gaming revenue.

There should be no restrictions on the type of electronic pull-tab units permitted. They all serve the same fundamental purpose; the only difference lies in screen size. Just as the Apple IIe Plus, the cutting-edge technology when the charitable gaming laws were initially written in 1990, is now outdated, so too will any arbitrary limitation on screen size become irrelevant. We utilize various screen sizes in our daily lives – phones, laptops, desktop computers – all serving similar functions. The proposed limitation to tablets only should be removed. The passage of this legislation is vital for nonprofits. I would strongly prefer to see this legislation move out of committee for further consideration, allowing for necessary corrections along the way, rather than risking delays. Please remember your primary responsibility is to protect the funding source for the nonprofits, not solely the interests of pull-tab distributors or large bingo halls.

Furthermore, this legislation includes updated language that aims to modernize and clarify the charitable gaming laws for 2025. In 1990, all operations were paper-based, whereas current state reporting requirements mandate online submissions.

Existing legislation, requiring contract submissions via certified mail, is now impractical as the department no

longer processes certified mail in a meaningful way, with all systems moving towards electronic processing. It is time to move forward and permit E-TABS without arbitrary restrictions on screen size. If you believe such restrictions are justified, I will challenge you to limit your own staff to tablets only, discarding all larger monitors.

A second critical issue within the legislation, perhaps more appropriately addressed by the Finance Committee, concerns the lack of accountability this legislation would create for vendors. The current system requires vendors to pay for all paper pull-tabs upfront. Because the nonprofits are paid upfront vendors are not required to submit state reports, have an operating bond nor are they required to have a CPA review. This established practice ensures financial responsibility and should be maintained for electronic pull-tabs. However, the proposed legislation would eliminate upfront costs for vendors, grant them access to unlimited pull-tabs, and allow them to remit payment to nonprofits at their discretion, with no clear timelines or safeguards.

In contrast, operators are currently required to maintain a bond, purchase pull-tabs upfront, provide monthly reports to nonprofits, submit extensive quarterly reports to the Department of Revenue's Charitable Gaming Division, and undergo an annual CPA review. The section

of the proposed legislation that alters the relationship between vendors and permittees should be removed, maintaining the same requirements for electronic pull-tabs as are currently in place for paper pull-tabs. As currently drafted, this aspect of the legislation is not workable. While some manufacturers suggest that these issues can be resolved through regulation after passage, there is no clear understanding of how a workable system would be implemented.

The current language essentially proposes giving bars unlimited access to electronic pull-tabs at no upfront cost, with the hope that nonprofits will eventually be paid, even without a system for them to track what they are owed or for the state to ensure accountability through mandatory reporting. Most bar owners lack the accounting expertise to manage charitable gaming finances effectively.

Requiring vendors to pay for the games upfront, as is the current practice, would eliminate the need for this complex and potentially flawed system. If this provision proceeds, a minimum requirement should include mandatory monthly and quarterly reports, an annual CPA review, and mandatory suspension of the liquor license for non-compliance. As mentioned, this matter likely

warrants more detailed discussion within the Finance Committee. .

Charitable gaming in Alaska was established with the primary goal of benefiting nonprofits. Please remember that this guiding principle should remain central to any updated legislation, ensuring continued funding for these vital organizations. With many other funding sources diminishing, I am receiving numerous daily inquiries from nonprofits seeking assistance with operating their charitable gaming permits. The existing laws can be complex, and we must avoid making decisions that would limit their fundraising capacity based on the preferences of a few. The proposed limitation to tablets only is likely to be the most contentious aspect of this legislation. Unless significant changes are made, I would still urge you to move this legislation out of committee, as the nonprofits are in urgent need of an updated framework. I welcome any questions you may have for me. With my extensive and long-standing experience in the charitable gaming industry in Alaska. I am confident I can provide you with a reasonable recommendation. At this time I would like to hear from you about any concerns that you have with this legislation so they can be addressed.

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