

HOUSE FINANCE COMMITTEE
May 1, 2007
8:39 A.M.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [8:39:24 AM](#).

MEMBERS PRESENT

Representative Mike Chenault, Co-Chair
Representative Kevin Meyer, Co-Chair
Representative Bill Stoltze, Vice-Chair
Representative Harry Crawford
Representative Richard Foster
Representative Les Gara
Representative Mike Hawker
Representative Reggie Joule
Representative Mike Kelly
Representative Mary Nelson
Representative Bill Thomas Jr.

MEMBERS ABSENT

None

ALSO PRESENT

Senator Gary Stevens; Doug Letch, Staff, Senator Gary Stevens; Dennis Egan, President and General Manager, Alaska-Juneau Communications, Juneau; Suzanne Cunningham, Staff, Representative Kevin Meyer; Jerry Burnett, Director, Division of Administrative Services, Department of Revenue

PRESENT VIA TELECONFERENCE

Harry Keene, Jr., Retired Superior Court Judge, Anchorage; David, Lambert, Alaska Dog Musers Association, Fairbanks

SUMMARY

CS SB 59(FIN)

An Act relating to the use of broadcasting to promote charitable raffles and lotteries and to establishing cabbage classics as a form of charitable gaming.

CS SB 59 (FIN) was reported out of Committee with a "do pass" recommendation, the attached House Concurrent Resolution (HCR) 7 and with an indeterminist note #2 by the Department of Revenue.

[8:40:26 AM](#)

#SB59

CS FOR SENATE BILL NO. 59(FIN)

An Act relating to the use of broadcasting to promote charitable raffles and lotteries and to establishing cabbage classics as a form of charitable gaming.

SENATOR GARY STEVENS, SPONSOR, noted that the goal of SB 59 was to "level the playing field" for Alaska's television and radio broadcasters. Current statutes prohibit those broadcasters from airing ads for charitable gaming activities.

DOUG LETCH, STAFF, SENATOR GARY STEVENS, commented on the portion of the bill that deals with raffles & lotteries, banned in Alaska. The broadcasters have requested help with their funding efforts, in order to help non-profit organizations; many of those entities rely on the generosity of people participating.

Mr. Letch noted that as the bill moved through the various committee processes, language was added:

- Cabbage Classic in Palmer
- Musher Race activities

[8:44:45 AM](#)

Vice Chair Stoltze wanted a guarantee that any changes added to the charitable gaming statutes would not affect the 70/30 split for the charities. Mr. Letch understood there were no changes to the split. The bill intends to allow only broadcasters the opportunity to advertise raffles.

[8:46:24 AM](#)

DENNIS EGAN, PRESIDENT & GENERAL MANAGER, ALASKA-JUNEAU COMMUNICATIONS, JUNEAU, testified in support of SB 59. SB 59 affords a solution to the disparity treatment currently being imposed on Alaska's Broadcasters by current Alaska Statute. The statute bans on radio and television, the advertising of lawful charitable gaming or conduct. Newspapers and related media are free to advertise. Recognizing the unfair burden placed upon broadcasters, U.S. Congress passed the Charity Games Advertising Clarification Act in 1988 and has been in effect since 1990. Federal law left it up to the individual states to ratify the law. Nearly every state allows broadcasters in their respective states, to be fully consistent with federal law. He urged passage of SB 59.

Representative Foster voiced his appreciation for the work that Mr. Egan has done on SB 59. He thought that it would "positively" affect his community through station work. Mr. Egan pointed out that broadcasters donate much of the advertising when it is for charitable events. When advertising is purchased, time is matched.

[8:50:53 AM](#)

Co-Chair Meyer asked if the legislation would affect internet broadcasting. Mr. Egan replied that was a separate issue, currently debated in the U.S. Congress.

[8:52:02 AM](#)

HARRY KEENE, JR., (TESTIFIED VIA TELECONFERENCE), RETIRED SUPERIOR COURT JUDGE, ANCHORAGE, noted various charitable activities in Anchorage that he participates in. He hoped that the legislation could address existing confusion regarding the use of "raffle". Mr. Keene urged that SB 59 be moved out of Committee.

[8:55:22 AM](#)

DAVID, LAMBERT, (TESTIFIED VIA TELECONFERENCE), ALASKA DOG MUSHERS ASSOCIATION, FAIRBANKS, testified in strong support of the legislation.

[8:56:48 AM](#)

Vice Chair Stoltze MOVED to ADOPT Amendment #1, #25-LS0410\M.1, Luckhaupt, 4/13/07. Co-Chair Meyer OBJECTED.

Vice Chair Stoltze explained that around 1996, when pull tab proceeds were removed as a funding entity for political campaigns, raffles and lotteries remained. He thought that charitable gaming should be for charities. The beneficiaries of charitable gaming ought to be civic organizations & true charities. He thought the language was an oversight.

Mr. Letch advised that Senator Steven would not oppose Amendment #1.

Representative Hawker understood that the intent of the amendment was to remove politics from the allowable application of proceeds from charitable gaming in the State, which is addressed on Page 2; however, Page 1, Paragraph (a) specifically authorizes charitable gaming activity to aid or support candidates for public office. He asked if that language should be removed. Vice Chair Stoltze commented that would be okay.

Representative Hawker asked if Amendment #1, passed as is, would authorize political purchase in Section (a). Vice Chair Stoltze thought that both parties use it for charitable activities, public relations and good will. Representative Hawker counseled that if the intent was to take politics out of the allowable uses, that language should be changed. Vice Chair Stoltze agreed.

[9:01:27 AM](#)

Representative Hawker addressed the intent of the change referencing Page 1, Line 7, where the authority to conduct the activity authorized by the chapter is basically good through dedication of the net proceeds. He recommended deleting "political" in Amendment #1, Line 9 and then on Lines 15 & 16, deleting "or through aiding candidate for public office".

Representative Crawford understood & supported the language proposed by Vice Chair Stoltze; however, he thought that the changes recommended by Representative Hawker, would move the State into gaming money given to political parties. He did not support that.

Vice Chair Stoltze wanted to add the language as proposed by Representative Hawker. He identified "true charities" rather than "trade associations". Amendment #1 attempts to clean up language.

Co-Chair Meyer understood that the concerns voiced by Representative Crawford would still be protected. Representative Hawker agreed that the activities mentioned by Representative Crawford would not be precluded. "Fully authorized" in all circumstances would be educational, civil, public, charitable, religious and patriotic uses. He recommended no ambiguity in the law.

[9:07:44 AM](#)

In response to Representative Joule, Representative Hawker concurred that language was important to provide leeway to define political candidates or purposes not defined in the second page.

[9:08:50 AM](#)

JERRY BURNETT, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF REVENUE, noted that the Administration has not taken a position on the amendment. The current prohibition is specific & does not apply to raffles and lotteries. It can not aid candidates for public office or political parties. The amendment expands that language. There is an attempt to define political uses.

The Department looks at the use of proceeds not the organization.

Co-Chair Meyer asked about public-use concerns noted by Representative Crawford. Mr. Burnett replied, it is not clear if the political party could raise money for a civic project. That is not easy to define. Representative Crawford pointed out that no one is sure of that language and that "political" can be broadly defined. He wanted to see less money in campaigns but worried about exclusion.

Representative Hawker pointed out inappropriate language in Page 1, Section 3, regarding the acceptable uses to aid candidates with the inclusion of "except", which is a contradiction in statute.

Representative Hawker MOVED to AMEND Amendment #1, Page 1, Lines 15-16, deleting "or through aiding candidates for public office or groups that support candidates for public office,". Representative Crawford OBJECTED because he did not understand the ramifications of removing that language.

[9:13:44 AM](#)

Representative Gara was confused about how to tell communities groups what authority they have in "politics". Unless the language is clean, the line between education and political raffles remains gray. He recommended being more explicit.

Vice Chair Stoltze explained that most committee groups have multiple check lists segregating compliance with the Department of Revenue. Some of the tax exempt provisions would be threatened if they were involved in politics.

[9:16:22 AM](#)

SUZANNE CUNNINGHAM, STAFF, REPRESENTATIVE KEVIN MEYER, advised that she had discussed Amendment #1 with Mr. Luckhaupt, Alaska Legal Services attorney. The intent of the amendment was to prohibit any net proceeds from any charitable gaming activity going to the items listed on Page 2. She asked Mr. Luckhaupt if it would be appropriate to amend the amendment, removing the reference to "political". Following discussions regarding organizations raising money for charitable organizations, it was determined to be acceptable if going to charitable or public use. It will be the use of net proceeds.

Representative Hawker pointed out that leaving "political" on Lines 8 & 9, creates an ambiguity. Lines 15 & 16 provide the specific allowable uses of charitable gaming proceeds including "aiding candidates for public office". There is

an exception listed on Page 2, which creates a contradiction in statute. Ms. Cunningham agreed.

Representative Kelly asked if Mr. Luckhaupt agreed. Ms. Cunningham reiterated that he agreed there is a conflict in statute by prohibiting the proceeds from going to political activities. She acknowledged the conflict, pointing out that the language proposed by Representative Hawker would clear-up the statute.

Representative Crawford noted that he had also spoken with Mr. Luckhaupt and was under the impression that Amendment #1 does bar the items listed on Page 2. Ms. Cunningham stated that the amendment, without the conceptual amendment, does accomplish what Representative Stoltze intends; however, it creates an ambiguity because it describes political activity.

[9:21:32 AM](#)

Mr. Burnett commented that the Department could work with the amendment either amended or not. He added that Representative Hawker is correct in his premise regarding the ambiguity. As a practical matter, Subsection 3 does not allow the use of the proceeds.

Vice Chair Stoltze advised that Amendment #1 had been drafted by Mr. Luckhaupt on a narrow scope. He admitted that the entire charitable gaming issue is confusing.

Representative Crawford WITHDREW his OBJECTION to the amended language for Amendment #1. There being NO further OBJECTION, the amended language was adopted. Discussion on the amended Amendment #1 continued.

[9:24:18 AM](#)

Representative Gara asked if there were other groups than the Teamsters that raise money for raffles. Vice Chair Stoltze thought that there were, and that Amendment #1 provides an opportunity to address the loop hole. Mr. Burnett pointed out that the Association of General Contractors supports raffles. Co-Chair Meyer listed other agencies, noting the impact.

Representative Kelly pointed out that the amendment does make a significant change. He encouraged that those affected would be given an opportunity to testify regarding that impact.

Mr. Letch advised that Senator Stevens would not object to the amended language of Amendment #1.

Representative Gara pointed out that it is easy for people that have a lot of money to donate to political candidates. There are people who have little money that donate, who ultimately do not have a lot of say. He worried about where the money goes; he recommended looking also at where the "big money" people go. He questioned the effect of the change and the underlining activities. He questioned the objective of the amendment. Politics is not always dirty. The amendment cuts out the ability of people pooling money together.

[9:30:41 AM](#)

Vice Chair Stoltze reiterated his motives that charitable gambling dollars should be used for charities, emphasizing that his record has been consistent.

Co-Chair Meyer WITHDREW his OBJECTION to Amendment #1. There being NO further OBJECTION, the amended Amendment #1 was adopted.

[9:33:33 AM](#)

Representative Joule MOVED to ADOPT Amendment #2, #25-LS0410\M.2, Luckhaupt, 4/18/07. Co-Chair Meyer OBJECTED.

Representative Joule explained the amendment would raise the amount of pull tab prizes that can be awarded from one to two million dollars. The current number has been in effect since 1989.

Vice Chair Stoltze pointed out that the issue also had been brought forward by the veterans' organizations. He noted the substantial wait list, which reduces the dollar pool. Mr. Burnett did not know the wait listed numbers. The Department does support Amendment #2, which does not change the amount for an operator, continuing to relieve some pressure. Vice Chair Stoltze asked if it would include "self-directed". Mr. Burnett said yes. Vice Chair Stoltze noted his concerns were solved.

Co-Chair Meyer WITHDREW his OBJECTION. There being NO further OBJECTION, it was adopted.

[9:37:43 AM](#)

Representative Crawford MOVED to ADOPT Amendment #3, #25-LS0410\M.3, Luckhaupt, 4/18/07. Co-Chair Meyer OBJECTED.

Representative Crawford explained Amendment #3, which limits advertising to public service announcements. He hoped that contributions for good causes would continue. He indicated that Alaska has problems with charitable gaming and bingo; he did not want to see the State expand.

Mr. Letch noted charitable groups often use broadcasting as a means of reaching an audience. He felt this was a fairness issue.

Mr. Egan thought the amendment could raise first amendment issues. He suggested that litigation would ensue if the amendment were adopted. He suggested that the prohibition include all media, if it is to move forward.

[9:44:51 AM](#)

Vice Chair Stoltze observed that pull tabs and bingo would still be restricted. He asserted that raffles would be the advertising, which ensues. Mr. Egan agreed, pointing to things like Rotary Roses, which wants to tag onto advertising for various raffles. That is prohibited.

[9:47:02 AM](#)

Representative Crawford expressed support for a more expansive amendment, including television broadcasting. He noted that the amendment would allow for Girl Scouts to advertise. He maintained that the legislation promotes more gambling and income for broadcasters.

[9:48:39 AM](#)

Co-Chair Meyer felt that the amendment was broad and would impinge on the freedom of speech. He thought the amendment would target one group.

Co-Chair Chenault commented that his community has a local radio station. He gave examples of how the station has worked with the community for charitable organizations. He noted that there are organizations that do not have the opportunity to utilize broadcast advertising. He suggested that broadcast advertising is more effective than television in his area, since television broadcasting comes primarily from Anchorage. He indicated his support for the concept of the legislation and spoke against the amendment.

[9:52:55 AM](#)

Representative Crawford argued that the legislation will result in raising costs for charities.

A roll call vote was taken on the motion.

IN FAVOR: Nelson, Crawford, Gara
OPPOSED: Hawker, Joule, Kelly, Stoltze, Thomas,
Foster, Meyer, Chenault

The MOTION FAILED (3-8).

9:55:07 AM

Representative Gara requested a list of those charities benefiting. Representative Thomas noted that he was not aware of political action raffles in his community. He spoke in support of the legislation.

Representative Foster stated that Native action groups have sold raffles for support of Native legislators for many years.

Representative Foster MOVED to REPORT CS SB 59 (FIN) out of Committee with the attached House Concurrent Resolution (HCR) 7 and with individual recommendations and with the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CS SB 59 (FIN) was reported out of Committee with a "do pass" recommendation, the attached House Concurrent Resolution (HCR) 7 and with an indeterminist note #2 by the Department of Revenue.

#

ADJOURNMENT

The meeting was adjourned at 9:57 A.M.