

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

February 12, 2024
3:19 p.m.

MEMBERS PRESENT

Representative Jesse Sumner, Chair
Representative Justin Ruffridge, Vice Chair
Representative Mike Prax
Representative Dan Saddler
Representative Stanley Wright
Representative Zack Fields

MEMBERS ABSENT

Representative Ashley Carrick

COMMITTEE CALENDAR

HOUSE BILL NO. 273

"An Act relating to the power of the Alaska Housing Finance Corporation to make or purchase mortgage loans."

- MOVED CSHB 273(L&C) OUT OF COMMITTEE

HOUSE BILL NO. 289

"An Act relating to business license fees; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 200

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

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 273

SHORT TITLE: AHFC MAKE/PURCHASE MORTGAGE LOANS

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/18/24 (H) READ THE FIRST TIME - REFERRALS
01/18/24 (H) L&C
01/29/24 (H) L&C AT 3:15 PM BARNES 124
01/29/24 (H) -- MEETING CANCELED --
01/31/24 (H) L&C AT 3:15 PM BARNES 124
01/31/24 (H) Heard & Held
01/31/24 (H) MINUTE (L&C)
02/12/24 (H) L&C AT 3:15 PM BARNES 124

BILL: HB 289

SHORT TITLE: BUSINESS LICENSE FEES

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

01/24/24 (H) READ THE FIRST TIME - REFERRALS
01/24/24 (H) L&C, FIN
02/05/24 (H) L&C AT 3:15 PM BARNES 124
02/05/24 (H) Heard & Held
02/05/24 (H) MINUTE (L&C)
02/12/24 (H) L&C AT 3:15 PM BARNES 124

BILL: HB 200

SHORT TITLE: GAMING; ELECTRONIC PULL-TABS

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

05/10/23 (H) READ THE FIRST TIME - REFERRALS
05/10/23 (H) L&C, FIN
02/09/24 (H) L&C AT 3:15 PM BARNES 124
02/09/24 (H) -- MEETING CANCELED --
02/12/24 (H) L&C AT 3:15 PM BARNES 124

WITNESS REGISTER

DON HABEGER, representing self
Juneau, Alaska

POSITION STATEMENT: Testified in opposition of HB 289.

ADAM CRUM, Commissioner
Department of Revenue
Juneau, Alaska

POSITION STATEMENT: Gave an introduction to HB 200 on behalf of the bill sponsor, House Rules by request of the governor.

BRANDON SPANOS, Acting Director
Division of Tax
Department of Revenue
Juneau, Alaska

POSITION STATEMENT: Gave a PowerPoint presentation on HB 200 on behalf of the bill sponsor, House Rules by request of the governor.

MARY MAGNUSON, Vice President
Government Affairs
Arrow International
Cleveland, Ohio

POSITION STATEMENT: Gave a PowerPoint presentation on Electronic Pull tabs as mentioned in HB 200.

MARTHA ABEL, Gaming Manager
Department of Revenue
Juneau, Alaska

POSITION STATEMENT: Answered committee member's questions on HB 200 Version S.

ACTION NARRATIVE

[3:19:19 PM](#)

CHAIR JESSE SUMNER called the House Labor and Commerce Standing Committee meeting to order at 3:19 p.m. Representatives Prax, Ruffridge, Wright, Fields, and Sumner were present at the call to order. Representative Saddler arrived as the meeting was in progress.

HB 273-AHFC MAKE/PURCHASE MORTGAGE LOANS

[3:20:02 PM](#)

CHAIR SUMNER announced that the first order of business would be HOUSE BILL NO. 273, "An Act relating to the power of the Alaska Housing Finance Corporation to make or purchase mortgage loans."

[3:20:11 PM](#)

CHAIR SUMNER moved to adopt Amendment 1 to HB 200, Labeled 33-GH2318\A.1, Walsh, 2/5/24, which read as follows:

Page 1, line 2, following "**loans**":
Insert "**; and providing for an effective date**"

Page 3, following line 3:
Insert a new bill section to read:

"* **Sec. 2.** This Act takes effect immediately under AS 01.10.070(c)."

REPRESENTATIVE FIELDS objected for the purpose of discussion.

CHAIR SUMNER explained that Amendment 1 only contains effective date language.

REPRESENTATIVE FIELDS removed his objection. There being no further objection, Amendment 1 was adopted.

[3:20:38 PM](#)

CHAIR SUMNER opened public testimony on HB 273. After ascertaining that there was no one who wished to testify, he closed public testimony.

[3:21:03 PM](#)

REPRESENTATIVE RUFFRIDGE moved to report HB 273, as amended, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 273 (L&C) was reported out of the House Labor and Commerce Standing Committee.

[3:21:31 PM](#)

The committee took an at-ease from 3:21 p.m. to 3:24 p.m.

HB 289-BUSINESS LICENSE FEES

[3:24:03 PM](#)

CHAIR SUMNER announced that the next order of business would be HOUSE BILL NO. 289, "An Act relating to business license fees; and providing for an effective date."

CHAIR SUMNER opened public testimony on HB 289.

[3:24:20 PM](#)

DON HABEGER, representing self, testified in opposition of HB 289. He gave context to his background in business in Alaska by using an example of his own company. He said that currently, business licensing is paid for by its own fees, and added that if the fees were to be increased, the money would be used for

marketing. He said that the "general shotgun approach" marketing doesn't help small businesses, that the money would be better off in the business owner's pocket. He proposed a change in language to Section 1 of HB 289 to include "after sole proprietorship" and to include the words "or single member, a domestic limited liability company", and explained the perceived benefit of such a language change.

[3:27:41 PM](#)

CHAIR SUMNER, after ascertaining there was no one else who wished to testify, closed public testimony on HB 289.

[3:27:58 PM](#)

CHAIR SUMNER announced that HB 289 was held over.

HB 200-GAMING; ELECTRONIC PULL-TABS

[3:28:02 PM](#)

CHAIR SUMNER announced that the final order of business would be HOUSE BILL NO. 200, "An Act relating to pull-tabs; relating to persons prohibited from involvement in gaming; and relating to the duties of the Department of Revenue."

[3:28:15 PM](#)

REPRESENTATIVE RUFFRIDGE moved to adopt the proposed committee substitute (CS) for HB 200, Version 33-GH1054\S, Wallace, 2/8/24, as a working document. There being no objection, Version S was before the committee.

[3:29:07 PM](#)

ADAM CRUM, Commissioner, Department of Revenue, gave an introduction to HB 200 on behalf of House Rules, by request of the governor. He explained that the goal of HB 200 is to set parameters on pull tabs and introduce electronic pull tabs to Alaska.

[3:29:42 PM](#)

BRANDON SPANOS, Acting Director, Division of Tax, Department of Revenue, gave a PowerPoint presentation on HB 200 on behalf of House Rules, by request of the governor. Before beginning the

presentation, he clarified that the presentation is based on the original version of HB 200 and not HB 200, Version S. He began on slide 2, which explained how charitable gaming works within the Division of Tax of the Department of Revenue, and how they function within the broader regulatory structure surrounding gaming in Alaska.

[3:31:42 PM](#)

MR. SPANOS moved to slide 3, which clarified the current regulatory structure of pull tabs under the Department of Revenue, and what role the department serves in enforcing those regulations. He explained how the permits relating to pull tabs were issued, and what the associated cost and taxes collected on each permit is as it would relate to electronic pull tabs.

[3:33:33 PM](#)

REPRESENTATIVE SADDLER asked what the annual pay for permits is in a dollar amount.

MR. SPANOS said he believes that number is found within license and permit fees.

[3:34:09 PM](#)

REPRESENTATIVE PRAX asked where the total of the gross taxes figure comes from.

MR. SPANOS responded that it comes from a 3 percent pull tab tax.

[3:35:42 PM](#)

REPRESENTATIVE SADDLER asked why there was a gap in pull tab tax collection between 2020 and 2021.

CHAIR SUMNER suggested that it might've been due to the COVID-19 pandemic.

[3:36:02 PM](#)

MR. SPANOS clarified that the COVID-19 pandemic is the reason why there was a gap in pull tab tax collection from 2020-2021.

[3:36:17 PM](#)

MR. SPANOS resumed his presentation on slide 4, which displayed the types of and current number of licensees in Alaska.

[3:36:49 PM](#)

MR. SPANOS moved to slide 5, which provided a history of charitable gaming in Alaska from 1960 to the most recent change surrounding charitable gaming in 1993, with House Bill 168. He expounded on House Bill 168's effect on the charitable gaming industry in Alaska and the changes it made to various aspects of charitable gaming statutes.

[3:38:26 PM](#)

REPRESENTATIVE FIELDS asked if there was any discernable effect on pull tab consumption when the payments increased from 15 percent to 30 percent.

MR. SPANOS said he would have to follow up on that question later.

[3:38:51 PM](#)

MR. SPANOS proceeded to slide 6, which gave an overview of the statutes that would be changed by HB 200. He explained the difference between traditional pull tabs and electronic pull tabs, and touched on the prize limit increase.

[3:40:27 PM](#)

MR. SPANOS moved to slide 7, which showed the impact HB 200 would have on the Department of Revenue's Income using data from five other states that have already implemented electronic pull tabs. He explained how the fiscal note was created using this data and said the impact on fiscal year 2025 would be low.

[3:41:27 PM](#)

MR. SPANOS continued to slide 8, which explained the costs to the Department of Revenue from the implementation of HB 200 and added that the department would need two more staff in order to carry out the provisions of bill at a cost of \$225,000 a year.

[3:42:23 PM](#)

REPRESENTATIVE SADDLER asked a question about the total revenue graphic on slide 7.

MR. SPANOS responded that he did not know if there would be more license applications. He said there would be an increase in revenue if there were more electronic pull tab operators.

REPRESENTATIVE SADDLER said he needs a breakdown of the new revenue that would be generated.

MR. SPANOS said he would need to follow up.

[3:44:04 PM](#)

REPRESENTATIVE FIELDS asked why there was certain language in Section 5 of HB 200, Version S, pertaining to the authority of approving other gaming sites.

MR. SPANOS responded that Section 5 amends the current statute, and said he would have to follow up on the question of language in HB 200 Version S.

[3:45:18 PM](#)

MR. SPANOS moved to slide 9 to give the sectional analysis for HB 200, Version S, which read as follows [original punctuation provided]:

Sectional Analysis

House Bill 200 - Gaming; Electronic Pull-Tabs

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.

Section 5: Amends AS 05.15.181(a) to include electronic pull-tab systems as required to be licensed by the Department.

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

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

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.

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

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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 05.15.181(e) to allow pull-tab distributors to deliver the electronic pull-tabs series information to a vendor's location.

Section 12: Adds AS 05.15.181(f)-(g) to require an electronic pull-tab endorsement for a licensed distributor.

Section 13: Amends AS 05.15.185 to include an encryption requirement for electronic pull-tabs and remove the required to for a serial number issued by the National Association of Fundraising Ticket Manufacturers or other label.

Section 14: Adds AS 05.15.185(b)-(c) to include 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 so that a person under the age of 21 cannot access or redeem a pull-tab.

Section 16: Adds AS 05.15.187(j)-(m) to include 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 to pay vendors 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

Section 19: Amends AS 05.15.690(38) to include language in the definition of a "pull-tab" electronic representation of a card.

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

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

[3:49:59 PM](#)

REPRESENTATIVE SADDLER asked about Section 17 and what the term "ideal net" means.

MR. SPANOS said that he would follow up on that question later.

[3:50:36 PM](#)

REPRESENTATIVE FIELDS asked about the impact Version S would have on charitable gaming beneficiaries, as well as how many there currently are.

MR. SPANOS, in response to Representative Fields, cited slide 4 with the total number of charitable organizations and said that nothing changes regarding the revenue travelling out-of-state.

[3:52:52 PM](#)

MR. SPANOS concluded the presentation.

COMMISSIONER CRUM reiterated his previous point that charitable gaming beneficiaries will have increased revenue from HB 200, Version S.

[3:54:06 PM](#)

The committee took an at-ease from 3:54 p.m. to 3:58 p.m.

[During the at-ease, Chair Sumner handed the gavel to Vice Chair Ruffridge.]

[3:58:00 PM](#)

MARY MAGNUSON, Arrow International, Gave a PowerPoint presentation on HB 200[hardcopy included in committee packet]. She began on slide 2, giving context to who Arrow International is and what it does as a company.

[3:59:52 PM](#)

MS. MAGNUSON moved to slide 3, which displayed a pie chart of all the current charitable licensees in the state.

[4:00:28 PM](#)

MS. MAGNUSON continued to slide 4, which explained how electronic pull tabs work. She detailed that one device is a cabinet, the other is a tablet, and directed attention to example images on the slide.

[4:02:06 PM](#)

MS. MAGNUSON moved forward to slide 5, which further explained electronic pull tabs and how they work. She touched on how the manufacturer controls the winning tabs, the similarities and differences between paper and electronic tabs, and added that the devices do not need Internet to function, though some need a private server in the state.

[4:06:21 PM](#)

REPRESENTATIVE FIELDS asked about the rate of play with electronic tabs versus paper tabs, and if electronic tab's pulls are logged somewhere.

MS. MAGNUSON answered that the only way to track the rate of play is to look at how many tickets were sold to determine what the prizes were and what the profit is to the charity. She said in the case of an electronic game, the device would log every play and prize automatically.

REPRESENTATIVE FIELDS asked what the average duration of play is in the five other states that have electronic tabs cited in the previously mentioned study.

MS. MAGNUSON answered that she doesn't think that data is available, and that she would have to follow up.

[4:08:19 PM](#)

REPRESENTATIVE SADDLER asked what rate of play is possible in electronic tabs compared to slot machines and paper tabs.

MS. MAGNUSON said that she does not have that information available currently, but in electronic tabs everything is pre-determined and there is no algorithm that alters the rate of play, unlike slot machines. She added explanation of the differences between paper and electronic tabs, saying that some people can do paper pulls quickly, and that electronic tabs give the option to open them all at once or one by one. She also explained that paper pull tabs have seals to open to a bigger prize. In electronic tabs there is an extended play game akin to a bonus round.

[4:13:16 PM](#)

REPRESENTATIVE WRIGHT asked for an explanation of how electronic pull tab games are played, and asked if there is always a chance to win.

MS. MAGNUSON answered there is an opportunity to win, but the player might not always win. She said that on a paper pull tab game played in Alaska, about 80 percent of the money wagered goes back to the players in the form of prizes and that the spending limit is a total of \$500, with a maximum bet of \$2. She added that with electronic pull tabs, the game is played by pushing a button. She emphasized that there is a robust record keeping system that records every single play on the associated device, which saves time on reports and filing time for the regulatory bodies overseeing the device.

4:16:44 PM

REPRESENTATIVE SADDLER asked about the tablets used in electronic pull tabs.

MS. MAGNUSON explained that the tablet is a Microsoft surface tablet that is loaded with software specifically for electronic pull tabs. She emphasized that the tablets only work on site.

REPRESENTATIVE SADDLER asked for reassurance that the tablet is not vulnerable to hacking.

MS. MAGNUSON responded that the tablets are encrypted, and the manufacturers have installed various types of security software. She said the devices are designed so that hacking is difficult, and audits are performed on a regular basis to ensure security parameters are being met.

REPRESENTATIVE SADDLER asked who is liable for the tablet if it breaks.

MS. MAGNUSON said that the distributor would simply replace the device. She pointed out that the devices go to the charities with no up-front costs, as well as online/onsite troubleshooting services and Internet for the devices. She said the business buys the games, not the tablets.

4:21:08 PM

MS. MAGNUSON moved to slide 6 to further explain the similarities between paper pull tabs and electronic pull tabs. She touched on what the concept of "ideal net" is, explaining that it is when all tickets are sold, and all prizes are won.

4:21:56 PM

MS. MAGNUSON moved to slide 7, regarding the benefits of electronic pull tabs. She said in veteran and fraternal clubs, there is a clear increase in membership after the introduction of electronic pull tabs. She cited a survey of veteran and fraternal clubs in Ohio that found that after one year of electronic pull tabs being introduced, there was an increase in membership.

4:23:40 PM

MS. MAGNUSON continued to slide 8, which explained what Alaska can expect from electronic pull tabs and touched on how there would be virtually no change in the regulatory structure surrounding gaming in Alaska.

[4:23:55 PM](#)

MS. MAGNUSON moved through slides 9-13, each of which displayed a graph of pull-tab net receipts from the previously cited studies. She explained the correlation between electronic pull tabs and increase in revenue.

[4:26:05 PM](#)

MS. MAGNUSON moved to slide 14, which compared the net profit of each state that began to utilize electronic pull tabs. She said there was an average of a 74 percent increase in ideal net.

[4:26:52 PM](#)

MS. MAGNUSON continued to slide 15, which explained how the adoption of electronic pull tabs has a positive effect on charities. She added that the average profit increase is about 40 percent.

[4:27:30 PM](#)

REPRESENTATIVE FIELDS asked about the demographics of the people in the states that have recently expanded the use of electronic pull tabs.

MS. MAGNUSON answered that demographic data is tracked anecdotally. She gave Ohio as an example where she said younger people participate in electronic pull tabs while in Minnesota the prevailing demographic is more middle-aged people. She said that it is mostly the same demographic participating in paper pull tabs, except that it is slightly younger across the board.

[4:29:02 PM](#)

VICE CHAIR RUFFRIDGE asked for a breakdown of the estimated revenue or charitable gaming impacts in Alaska.

MS. MAGNUSON said that Arrowhead International is working on getting specific data to the committee members. She said while

there is a slight increase in cost associated with the operation of electronic pull tabs, the average revenue impact across the country has been between 30 and 35 percent. She predicted that if electronic pull tabs were to be allowed in Alaska, four different manufacturers would be in competition with each other.

VICE CHAIR RUFFRIDGE asked how much of money spent on electronic pull tabs goes towards the charity and how much goes to run the operation. He asked a follow up question clarifying how much of the sales goes towards a lease arrangement.

MS. MAGNUSON responded that the sales have to go through a distributor who works with the manufacturer, and the distributor acts as a liaison between the manufacturer and the permittee/operator.

[4:34:47 PM](#)

REPRESENTATIVE FIELDS raised his concern that increasing prize money could cause a decrease in the number of charitable organizations that receive the benefits.

MR. SPANOS handed the question to Martha Abel.

[4:36:19 PM](#)

MARTHA ABEL, Gaming Manager, Department of Revenue, answered committee member's questions on HB 200, Version S. She said the expenses have increased, but not prize amounts. She emphasized that in Alaska, there are prize limits in place.

[4:37:10 PM](#)

MR. SPANOS, in response to Representative Fields, said that the estimated revenue is increasing but the percentage that goes to the charities would remain the same.

MS. ABEL added that increasing the prize limits allows for the organization to increase the amount of gaming proportionally.

[4:38:23 PM](#)

COMMISSIONER CRUM gave his understanding that the volume of the gaming increases when there are increased prize limits. He touched on a previous question from Vice Chair Ruffridge and

said the department will provide a visual cost breakdown for the committee members.

[4:39:00 PM](#)

REPRESENTATIVE SADDLER asked how the supply chain and system of running an electronic pull tab operation works.

MS. ABEL responded that manufacturers make pull tabs who sell them to distributors who then sell them to permittees, like a city or municipality, any of whom can come together and form a conglomerate to also apply for a multi-beneficiary permit. She added that each permittee can elect how their machines give out prizes as well.

[4:41:07 PM](#)

REPRESENTATIVE SADDLER asked for the names of the manufacturers, distributors, multi-beneficiaries, et cetera.

MS. ABEL answered that Arrow International is the manufacturer of electronic pull tab machines and said that distributor's names could be found online. She added that operators usually own the gaming facility and are for-profit sole-proprietor businesses that game on behalf of the permittees.

REPRESENTATIVE SADDLER asked who the operators were.

MS. ABEL further explained that operators are a person, a sole-proprietor, and clarified how they differ from the non-profit permittees.

[4:44:19 PM](#)

REPRESENTATIVE FIELDS asked about the discrepancy between the increase in prizes from the Department of Revenue and the projected increase in revenue from the associated charities involved.

COMMISSIONER CRUM answered that there would be a breakdown done on paper versus electronic pull tabs, and the bill analysis contains simple revenue analysis.

[4:46:07 PM](#)

VICE CHAIR RUFFRIDGE added that a committee response would help, as would a terminology breakdown.

[4:46:53 PM](#)

COMMISSIONER CRUM added that the Charitable Gaming Unit of the Department of Revenue is a small, closed unit that regulates large dollar amounts for the state. He said he looks forward to more conversations on the topic and getting public illustrations out. He said that the Department of Revenue would ask if names of organizations could be disclosed for a future presentation.

[4:47:49 PM](#)

VICE CHAIR RUFFRIDGE announced that HB 200, Version S, was held over.

[4:48:06 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 4:48 p.m.