

4ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE

April 22, 2024

1:40 p.m.

MEMBERS PRESENT

Senator Jesse Bjorkman, Chair
Senator Elvi Gray-Jackson
Senator Forrest Dunbar
Senator Kelly Merrick

MEMBERS ABSENT

Senator Click Bishop, Vice Chair

COMMITTEE CALENDAR

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 273 (L&C)

"An Act relating to the power of the Alaska Housing Finance Corporation to make or purchase mortgage loans; and providing for an effective date."

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

SENATE BILL NO. 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."

- HEARD & HELD

HOUSE BILL NO. 253

"An Act relating to refrigerants designated as acceptable for use under federal law."

- HEARD & HELD

SENATE BILL NO. 257

"An Act relating to the Regulatory Commission of Alaska; relating to public utilities; relating to electric reliability organizations; relating to the Alaska Energy Authority; relating to the Railbelt Transmission Organization; and providing for an effective date."

- HEARING CANCELED

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
02/12/24	(H)	Moved CSHB 273(L&C) Out of Committee
02/12/24	(H)	MINUTE(L&C)
02/14/24	(H)	L&C RPT CS(L&C) NEW TITLE 6DP
02/14/24	(H)	DP: FIELDS, PRAX, SADDLER, WRIGHT, RUFFRIDGE, SUMNER
03/04/24	(H)	L&C CS ADOPTED Y37 N1 E2
03/06/24	(H)	TRANSMITTED TO (S)
03/06/24	(H)	VERSION: CSHB 273(L&C)
03/07/24	(S)	READ THE FIRST TIME - REFERRALS
03/07/24	(S)	L&C
04/22/24	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 146

SHORT TITLE: GAMING; ELECTRONIC PULL-TABS

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

05/10/23	(S)	READ THE FIRST TIME - REFERRALS
05/10/23	(S)	L&C, FIN
03/13/24	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
03/13/24	(S)	Heard & Held
03/13/24	(S)	MINUTE(L&C)
04/19/24	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
04/19/24	(S)	-- MEETING CANCELED --
04/22/24	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: HB 253

HB 253-FEDERALLY DESIGNATED REFRIGERANTS

SPONSOR(s): REPRESENTATIVE(s) WRIGHT

01/16/24	(H)	PREFILE RELEASED 01/12/2024
01/16/24	(H)	READ THE FIRST TIME - REFERRALS

01/16/24	(H)	L&C
02/14/24	(H)	L&C AT 3:15 PM BARNES 124
02/14/24	(H)	MOVED HB 253 Out of Committee
02/14/24	(H)	Minutes (HL&C)
02/15/24	(H)	L&C RPT 6DP
02/15/24	(H)	DP: FIELDS, PRAX, SADDLER, WRIGHT, RUFFRIDGE, SUMNER
02/15/24	(H)	FN1: ZERO(DPS)
03/27/24	(H)	RULES TO CALENDAR 3/27/2024
03/27/24	(H)	READ THE SECOND TIME
03/27/24	(H)	ADVANCED TO THIRD READING 3/28 CALENDAR
03/28/24	(H)	READ THE THIRD TIME HB 253
03/28/24	(H)	PASSED Y 39 N1
03/28/24	(H)	TRANSMITTED TO (S)
03/28/24	(H)	VERSION: HB 253
04/02/24	(S)	READ THE FIRST TIME - REFERRALS
04/02/24	(S)	L&C
04/19/24	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
04/19/24	(S)	-- MEETING CANCELED --
04/22/24	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
04/22/24	(S)	HEARD & HELD

WITNESS REGISTER

STACY BARNES, Director
 Governmental Relations and Public Affairs
 Alaska Housing Finance Corporation (AHFC)
 Anchorage, Alaska
POSITION STATEMENT: Provided an overview of HB 273.

MICHAEL WILLIAMS, Acting Deputy Director
 Tax Division
 Department of Revenue (DOR)
 Anchorage, Alaska
POSITION STATEMENT: Provided an overview of SB 146 on behalf of
 the administration.

MATT FISCHER, Co-Owner
 Alaska Wholesale, LLC
 Kasilof, Alaska
POSITION STATEMENT: Gave a presentation on SB 146.

JOSH LEWIS, Charitable Gaming Operator
 Anchorage, Alaska
POSITION STATEMENT: Gave invited testimony on SB 146.

STEVEN BORCHERDING, Operations Manager

Whaler Casino Supply, Anchorage, Alaska
POSITION STATEMENT: Gave a presentation on SB 146.

DAVE LAMBERT, Licensed Charitable Gaming Operator
Fairbanks, Alaska
POSITION STATEMENT: Gave invited testimony on SB 146.

CHARLES BORING, representing self
Anchorage, Alaska
POSITION STATEMENT: Testified in support of SB 146.

CHRISTA FOLI, Department Commander
American Veterans Club
Anchorage, Alaska
POSITION STATEMENT: Testified in support of SB 146.

JERRY LEWIS, Operator
Northern Lights Bingo
Anchorage, Alaska
POSITION STATEMENT: Testified in opposition on SB 146.

DONALD MITCHELL, representing self
Anchorage, Alaska
POSITION STATEMENT: Testified neutrally on SB 146.

SANDY POWERS, Operator
Big Valley Bingo
Willow, Alaska
POSITION STATEMENT: Testified with concerns on SB 146.

TIM NAVARE, representing self
Kenai, Alaska
POSITION STATEMENT: Testified with concerns on SB 146.

HARLOW ROBINSON, Executive Director
Alaska Sports Hall of Fame
Anchorage, Alaska
POSITION STATEMENT: Testified in opposition to SB 146.

CARRIE CROOK, Bartender, American Legion Post 29
Anchorage, Alaska
POSITION STATEMENT: Testified in support of SB 146.

REPRESENTATIVE STANLEY WRIGHT, District 22
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Sponsor of HB 253.

JOSIPHIAH MASON, Staff
Representative Stanley Wright
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided an overview of HB 253.

CHRISTOPHER BRESEE, Manager of Government Affairs
Air-Conditioning, Heating and Refrigeration Institute (AHRI)
Denver, Colorado

POSITION STATEMENT: Testified in support of HB 253.

ACTION NARRATIVE

[1:40:56 PM](#)

CHAIR JESSE BJORKMAN called the Senate Labor and Commerce Standing Committee meeting to order at 1:40 p.m. Present at the call to order were Senators Gray-Jackson, Dunbar, and Chair Bjorkman. Senator Merrick arrived thereafter.

HB 273-AHFC MORTGAGE LOANS; COMM. FISHING LOANS

[1:42:17 PM](#)

CHAIR BJORKMAN announced the consideration of CS FOR HOUSE BILL NO. 273(L&C) "An Act relating to the power of the Alaska Housing Finance Corporation to make or purchase mortgage loans; and providing for an effective date."

CHAIR BJORKMAN noted HB 273 is the companion bill to SB 191.

[1:42:52 PM](#)

STACY BARNES, Director, Governmental Relations and Public Affairs, Alaska Housing Finance Corporation (AHFC), Anchorage, Alaska, said AHFC believes HB 273 will allow more Alaskans to choose AHFC home loans, making home ownership accessible for them by providing down payment assistance. She noted the average sale price for a home in Kenai was \$375,000 in 2023 and in Anchorage, the average sale price for a home was \$481,000. She said that would require a down payment of almost \$19,000 in Kenai and \$24,000 in Anchorage. If AHFC had latitude to adjust the loan-to-value ratio currently in statute, moving from 95 percent loan-to-value ratio to 97 percent loan-to-value, she said that would drop the required down payment for Kenai to around \$7,100 and in Anchorage to \$9,600, while also providing minimal changes to the monthly payment. She said the difference in monthly payments for Kenai would be about \$47 per month and in Anchorage it would be about \$61 per month, based on an

interest rate of 6.5 percent for a 30-year home loan. She noted there was one change to HB 273, an immediate effective date. She further clarified that condominiums (condos) are eligible entities as single-family properties, and so would benefit from the bill.

[1:45:18 PM](#)

SENATOR DUNBAR asked whether the change regarding condos was through a clarifying amendment. He asked whether condos were eligible for AHFC financing originally.

[1:45:30 PM](#)

MS. BARNES said the question about the eligibility of condos was posed in committee and she sought to clarify for the committee that they were eligible [for the provisions of HB 273] and no change or amendment to the bill was necessary.

[1:46:08 PM](#)

CHAIR BJORKMAN opened public testimony on HB 273; finding none, he closed public testimony.

[1:46:44 PM](#)

CHAIR BJORKMAN [solicited the will of the committee.]

[1:46:45 PM](#)

SENATOR GRAY-JACKSON moved to report HB 273, work order 33GS2318\B, from committee with individual recommendations and attached fiscal note(s).

[1:47:00 PM](#)

At ease

[1:47:20 PM](#)

CHAIR BJORKMAN reconvened the meeting.

[1:47:27 PM](#)

SENATOR GRAY-JACKSON restated the motion to report CSHB 273(L&C), work order 33-GH2318\B, from committee with individual recommendations and attached fiscal note(s).

[1:47:45 PM](#)

CHAIR BJORKMAN found no objection and CSHB 273(L&C) was reported out of the Senate Labor and Commerce Standing Committee.

[1:48:00 PM](#)

At ease.

SB 146-GAMING; ELECTRONIC PULL-TABS

[1:52:00 PM](#)

CHAIR BJORKMAN reconvened the meeting and announced the consideration of SENATE BILL NO. 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."

[1:52:47 PM](#)

MICHAEL WILLIAMS, Acting Deputy Director, Tax Division, Department of Revenue (DOR), Anchorage, Alaska, provided an overview of SB 146 which would expand the scope of pull-tab games. Provisions of the bill include:

- Expansion of Gaming Format: SB 146 would allow the inclusion of electronic pull tab systems (E-tabs), alongside traditional paper pull tabs.
- Definition: AS 05.15.690 defines pull tab games as games of chance where participants purchase tickets to uncover concealed symbols, which can lead to prizes.
- Prize Limits: SB 146 would increase the maximum annual prize limits per operator:
 - From \$500,000 to \$2 million for electronic pull tab games each year.
 - From \$500,000 to \$1 million for other gaming activities.
- New Limitations: Specific limitations for electronic pull tabs would include:
 - A maximum of 15,000 tickets per series.
 - Vendors would be limited to five electronic devices on premises.
 - Operators would be limited to ten electronic devices on premises.
 - There would be no restrictions on the number of devices for permittees.
- Regulation: The Department would be required to establish regulations regarding the quality and data security of the electronic devices used, and regulation completion and timing will be determined based on passage of the legislation.
- Revenue Impact Uncertainty: The revenue impacts of the bill cannot be precisely determined. It is unclear whether electronic pull tabs will increase overall gaming activity or simply offer an alternative to existing paper pull tabs.
- Revenue Sources: The state would generate revenue through:

- o A three percent pull tab tax on gross receipts after payouts per pull tab game.
- o Annual licensing fees:
 - \$2,500 for manufacturers
 - \$1,000 for distributors
 - \$50 for vendors per year per location
- o A one percent tax on net proceeds for permittees with gross receipts over \$20,000 for all gaming.
- Historical Revenue: Over the past four years, state revenues from pull tabs averaged about \$2 million annually, \$3 million for FY 2022. If there were any incremental state revenues the amounts were not significant.
- Implementation costs of SB 146 were indeterminate and would depend on further study and work with electronic pull tab vendor can occur to better understand how adding this game will impact both current programing and personnel resources. A charitable gaming program uses the current tax revenue management system so the department is uncertain, at this time, if it would need to create additional interfaces between new electronic pull-tab systems and trends. The department is unsure if this would require additional personnel.

[1:57:10 PM](#)

SENATOR GRAY-JACKSON asked why the maximum payout for E-tabs was proposed at \$2 million while existing permittees are raised from \$500,000 to only \$1 million.

[1:57:35 PM](#)

MR. WILLIAMS answered that was a policy decision that is part of SB 146 and he could not provide an answer beyond that.

[1:57:47 PM](#)

SENATOR GRAY-JACKSON asked how E-tabs would affect each of the charitable gaming types: self-directed vendor, multi-beneficiary permittee and operator.

[1:58:03 PM](#)

MR. WILLIAMS said the revenue managed by DOR would remain largely the same. He said he would defer the question to industry representatives for a more complete answer as to the impact to vendors, distributors, and individual permittees.

[1:59:42 PM](#)

CHAIR BJORKMAN solicited a motion.

[1:59:48 PM](#)

SENATOR GRAY-JACKSON moved to adopt the committee substitute (CS) for SB 146, work order 33-GS1054\S, as the working document.

[2:00:01 PM](#)

CHAIR BJORKMAN objected for purposes of discussion.

[2:00:04 PM](#)

CHAIR BJORKMAN [announced invited testimony for SB 146.]

[2:00:22 PM](#)

MATT FISCHER, Co-owner, Alaska Wholesale, LLC, Kasilof, Alaska, introduced himself and began a presentation titled 907 PullTabs.Com.

[2:00:47 PM](#)

MR. FISCHER moved to slide 2:

[Original punctuation provided.]

Who we are

- Independent Alaska distributor with a 30+ year history
- Alaska Wholesale Inc. was started by former Senator Paul Fischer.
 - Restructured after his death as a new company - Alaska Wholesale LLC
 - Started with the sole purpose of ensuring non-profits had access to low-cost pull-tabs and bingo paper
- Family Owned; I am a lifelong Alaskan.
- Serve the entire state of Alaska
- One of three remain distributors with primary business of gaming supplies
- The only Distributor being actively run by the owner
 - Unique perspective, as we deal with all components in the industry on a daily basis, from manufacturers to the players

[2:02:08 PM](#)

MR. FISCHER moved to slide 3:

[Original punctuation provided.]

Alaska Gaming - It's about the Nonprofits!

- Alaska's charitable gaming is unique!
 - The money that goes to the non-profits helps to decrease their dependency on State funds.
 - Senior centers
 - School Sports
 - Tribal organizations
- Legislature designed Alaska charitable gaming to benefit nonprofits
- All changes in regulation should focus on maximizing return to the nonprofits.

[2:02:38 PM](#)

MR. FISCHER moved to slide 4, titled "How Permits Can Be Run" and consisting of a table containing descriptions of pull-tab entities. He emphasized that the Vendors (bars) are not affected by rising costs of the pull tab tickets. He said the nonprofits absorb the impact of rising ticket costs.

Self-Directed Permits

- Typically a pull tab store, fraternal organization or Bingo Hall
- All management and money is controlled by the non-profit
- The cost of a pull tab ticket does matter

Multi-Beneficiary

- Typically a pull tab store or a Bingo Hall
- All management and money is controlled by a maximum of five permittees working together
- The cost of a pull tab ticket does matter

Operator

- Typically a pull tab store or a Bingo Hall
- Operator is responsible for all costs of gaming and guarantees non-profits 30 percent ideal net for pull-tabs and ten percent for Bingo
- The cost of a pull tab ticket does matter

Vendor

- Typically a bar
- Permittee is responsible for game costs. Vendor purchases game from permittee and is guaranteed a 30 percent profit.

- Pull tab ticket cost has no effect on vendor, a huge effect on non-profit since they guarantee vendor 30 percent profit.

[2:03:55 PM](#)

MR. FISCHER moved to slide 5 and said his initial position was that E-tabs are bad for the state of Alaska. He said it was too easy to buy too many, too fast. He expressed concern that customers couldn't afford that. He said the price of paper pull tabs are also increasing to the point that they are becoming unaffordable for customers.

Slide 5 includes an advertisement for picante sauce suggesting that a sauce made outside the American southwest could not satisfy southwest palates. Mr. Fischer drew a parallel conclusion to the advertisement and asserted that the solution for the pull tab dilemma in Alaska should be created by Alaskans.

[Original punctuation provided.]

Development of CSSB 146

Arrow designed SB 146 with their attorneys and lobbyist from out of state.

Many parts of their bill do not work for Alaska and clearly show they are not familiar with Alaska Gaming.

I have always been taught, "Don't just complain, find a solution."

CSSB 146 is the solution to keeping Alaska charitable gaming successful for decades to come.

Designed by Alaskans for Alaskans!

[2:05:16 PM](#)

MR. FISCHER moved to slide 6:

[Original punctuation provided.]

Development of CSSB 146

- After reviewing Arrow's proposed bill, we took another look at whether E-tabs were right for Alaska

- Developed several models that showed, with increasing paper costs, paper pull-tabs can not be sustained much longer
- Researched other E-tab companies after hearing Arrow was looking at charging nearly 50percent of the profit for game according to operators they had talked with
- Found Pilot Gaming out of Minnesota
- Pilot turned E-tabs into a success from a complete failure in Minnesota
- Outnumbered Arrow sites in Minnesota 31:1
- Pilot Games rate for games was a clear 31percent profit share
- Worked with Pilot to understand what statutes were needed to deal with shortcomings in North Dakota and Minnesota
- Met with Operators, Permittees, and Vendors to see what they would need for E-tabs to work for Alaskan Nonprofits

[2:06:18 PM](#)

MR. FISCHER moved to slide 7. In addition to the points on the slide he said E-tabs are designed to play slower than paper pull tabs.

[Original punctuation provided.]

Key Points from Alaska Industry talks

- Concerned about a monopoly
- Worried about cost of e-tabs - profits going out of state
- Worried about bars looking like casinos putting pull-tab stores and bingo halls out of business• Worried about tips declining with e-tabs
- Concerned about play being too fast
- Not understanding how permit limits work
- Insist rules are put into statute, and not put off until regulation time
- Many things are required by the department that are never reviewed or needed (ex. payroll reports)
- Some municipalities charging a tax based on gross sales versus ideal net

- Frustration that the bill was written by out of state interests
- Concerned that their store sales information acquired through POS systems will be used/shared with other stores
- Worried manufacturers will become operators in effect- Self serve e-tab centers in malls

[2:09:04 PM](#)

MR. FISCHER moved to slide 8, titled: "Minnesota compared to Alaska Gaming", which contains a detailed table presenting financial data, pull tab and E-tab usage and the changes that occurred between 2012 and 2023. He said Minnesota appears to have the best system for pull tabs.

[2:09:29 PM](#)

MR. FISCHER moved to slide 9, titled: "What happened to Paper Pull-tabs in Minnesota with the introduction of E-tabs. The slide depicts a bar graph comparing annual paper pull tab sales with E-tab sales from 2012 through 2023 in Minnesota.

[2:10:08 PM](#)

MR. FISCHER moved to slide 10, which includes a simple bar graph expressing the number of pull tab "rips" or E-tab "clicks" required to spend \$100 for each of three pay-out percentages.

[Original punctuation included.]

Pull-tabs as Entertainment

Entertainment- amusement or diversion provided especially by performers, something diverting or engaging

- To spend \$100 it takes between 490 to 990 clicks/rips (mathematical average)
- Pull-tabs have a guaranteed payout
- It is known that you will be donating between 10 percent to 25 percent every time you play
- Most Pilot e-tab games have "bonus play" built in that prolongs play of larger payouts, simulating the time it would take to cash in a ticket while providing an entertaining experience

[2:11:25 PM](#)

MR. FISCHER moved to slide 11.

[Original punctuation included.]

Why CSSB 146

Paper Cost

- Continued increased cost of games from manufacturers has gotten to a point that we must consider alternatives.
- Pre-Covid we were seeing tickets for \$.02 or less each. Today we are seeing prices in the \$.05 and \$.06 range.
- Our customers' best success comes when they use games in the 85 percent-90 percent range. With the increase in paper cost, little is left for the non-profits.
- To deal with the price increase many nonprofits have lowered the payout percentage which lowers customer happiness. This leads to less customers.
- Bingo halls can get by with a lower percentage because they bring in customers for bingo, and they play pull-tabs.
- A permittee that uses a vendor makes very little.

[2:12:32 PM](#)

MR. FISCHER moved to slide 12.

[2:12:35 PM](#)

CHAIR BJORKMAN referred to slide 11 and asked for an explanation of the 80 percent, 85 percent and 90 percent payouts. He asked specifically what the percentages applied to.

[2:12:49 PM](#)

MR. FISCHER said if someone pays \$100 for pull tab tickets, the non-profit essentially gives back \$85 or \$90. A higher percentage means the player wins more often. He noted that pull tab gaming is different from other gaming in that the payout is fixed and will never vary. He said a player will always lose between ten and twenty percent of the money spent to purchase pull tabs. He noted that the proceeds go to non-profits and [by design] the players "lose", but they get to play and donate.

[2:13:32 PM](#)

MR. FISCHER returned to slide 12. He said a lot of their customers approached them and asked whether they had a certain game in a lower pay out percent. It looks identical to another

game but with a lower payout, it kind of tricks the customers. He said he knew what was happening in this situation. The charity's board has said they are not making enough money with the ticket costs higher, they want to lower the game payout percentages. He said what is going to happen is, when they play a lower percentage [payout] game, customers are not happy because they're not winning enough, so [the shops] lose players, so the board says we're not making enough money, lower your percentages, they lower them again and the next thing you know they closed the shop because they are not making any money, no players are in there.

[Original punctuation included.]

Pull-tab Store Death Spiral

- Many of our customers are in this mode
- We will lose many non-profits in gaming before this bill passes
- They need relief in ticket prices
 - E-tabs can help subsidize paper
- E-tabs brings in new customers
- E-tabs allow higher percentage games without additional cost to non-profits

[Funnel cloud illustration:]

Lower profit due to ticket cost
Customer Lowers game payout to increase profit
Less players due to lower payouts
Less profit due to less players
Customer Lowers game payout to increase profit
Store closes

[2:14:06 PM](#)

MR. FISCHER moved to slide 13, which includes a bar graph comparing the cost for tickets (paper pull tabs) to clicks (E-tabs) for the three levels of payout percentage.

[Original punctuation included.]

Paper vs E-tabs Price Comparison

- Many concerns focus on the price of E-tabs and money going out of state

- This is a comparison of paper tickets versus e-tabs with our company at a 33percent profit share
- The break-even point is at 85percent payouts
- Historically most of our customers aimed for 85percent or above payout average on their games
- Players recycle their money, generally a win will be replayed
- Higher percentages allow longer entertainment
 - Think of a good day fishing versus a bad!
- Not all companies are equal! Don't chose a company that won't tell you a price and commit to it long term!

[2:14:59 PM](#)

MR. FISCHER moved to slide 14.

[Original punctuation included.]

Penetration Marketing - We need to ensure fair competition

- When you go into a convenience store and prices aren't marked, you know you are going to get gouged at checkout
- Through our partnership with Pilot Games, we guarantee for a minimum of five years that our profit sharing rates won't change
 - 33percent for permittees
 - 31percent for operators (they are expected to have employees trained for machine repairs)
- Some companies have been known to offer huge incentives to place machines, then charge higher rates
 - Through statute we can control this

[2:15:45 PM](#)

MR. FISCHER moved to slide 15.

[Original punctuation included.]

Why CSSB 146

Supply Chain

- Manufacturers have been bought up by equity firms creating less options
- Alaska is now essentially supplied by only four Manufacturers
- Some Manufacturers have put themselves in a spot that they can create a monopoly

[2:16:07 PM](#)

MR. FISCHER moved to slide 16, a diagram depicting the Pull-tab Supply Chain. He said Platinum Equity has bought up multiple manufacturers over the years, both point of sales systems, and a distributor. He said his fear as a distributor going forward is that Platinum will block Bonanza Press from selling product to his business. He said this has been his experience with Platinum Equity in the past. He suggested access to paper products may become contingent on the purchase of E-tab products.

[2:17:14 PM](#)

MR. FISCHER moved to slide 17.

[Original punctuation included.]

Why CSSB 146

Supply Chain

- Arrow
 - Controls seven manufacturers
 - Only sell to two distributors
 - This year they bought the Whaler Casino Supply which calls itself the Largest Distributor in Alaska
 - We fully anticipate that they will cut off supply to Alaska Indoor Sports in the future
 - They don't currently sell to any other distributors than AIS and the Whaler which they own
 - They bought both major point of sale systems used for gaming in Alaska
 - Allows them to see price points of all other distributors and what products they are selling
- Douglas Press
 - Limited inventory of games to Alaska
 - Seeing shipping times of months out

- International Gamco and American Games
 - Limited supply to Alaska - Focused on southern Markets
- Bonanza Press
 - Fully Supporting Alaska Distributors
- Manufacturers buying their own distributors is a new trend within the last few years

[2:17:57 PM](#)

MR. FISCHER moved to slide 18 which included a cartoon illustration of the fabled wolf blowing down a house of straw.

He said, in the last hearing Arrow questioned why Alaskans are viewing them as the big bad wolf.

[2:18:08 PM](#)

MR. FISCHER moved to slide 19, which included an illustration of a cartoon wolf with a trojan horse and asserted that Arrow is the big bad wolf.

[Original punctuation included.]

We look at it a little differently. The big bad wolf was attacking from the outside. Those we have talked to are more concerned that Arrow is the big bad wolf hidden inside the trojan horse, looking to take over Alaska's nonprofit gaming.

CSSB 146 has requirements that aren't normally seen in other industries but are similar to rules in place in North Dakota and Minnesota that ensure a competitive market for paper pull-tabs.

There is a reason why. We have seen manufacturers abuse their power in Alaska to reduce competition and artificially raise prices to the non-profits.

Often times the non-profits aren't price savvy because it is "free money".

[2:19:02 PM](#)

MR. FISCHER moved to slide 20, which included a page of handwritten notes.

[Original punctuation included.]

- **Manufacturers have worked with certain Alaskan distributors to restrict competitor Sales**
- Two manufacturers worked with Distributors to stop selling pull-tabs to Paul Fischer, the owner of Alaska Wholesale Distributors
 - Paul's prices were low
 - They falsely believed Paul sold their product to another distributor (which is legal) and they did not want that distributor to be competitive with the other Anchorage distributors
- Paul sought a legal option-
 - Based on the facts that you have described, it appears very likely that one or more of your suppliers of pull-tab games have breached Alaska law by refusing to sell the games to you anymore. At a minimum, they would appear to have violated Alaska law against monopolies and the restraint of trade (AS 45.50.562). By refusing to sell to you, they are reducing lawful competition for the product, as well as restraining intrastate trade and commerce. Further, depending on the circumstances, they may have also violated the same laws against forming a combination or conspiracy to effectuate the same purpose.

[2:20:15 PM](#)

MR. FISCHER moved to slide 22.

[Original punctuation included.]

What is in CSSB 146 - Permittees

- Permit prize cap increased from \$2 million to \$5 million to accommodate for higher E-tab payouts
 - No separation for paper or e-tabs, this is left to the discretion of the permittee
- Removes the \$500,000 cap if an operator is used
- Pooling of permits by operators and vendors allows easier access for more permit holders

- Access to lower cost paper pull-tabs due to more competition amongst distributors with manufacturers having to sell to all distributors and limiting exclusive games
- Protection of sales information by prohibiting manufacturer and distributor use of point-of-sale data
- Keeps self directed organization with something "special" in allowing them to have cabinets, but not vendors.
 - Operators are also allowed to have cabinets but not in establishments with alcohol
- No limits on the number of e-tab devices they can have in a store
- Ban on advertising is removed
- Places a 1percent of ideal net cap on local municipality taxes of pull-tabs
- Requirement to use gaming proceeds within one year are removed
 - It is widely considered bad practice for a non-profit to not have funds on hand for more than one year of operations

[2:23:13 PM](#)

MR. FISCHER moved to slide 23 and said there is one error in this slide. He said that if permits are combined and they are giving out 30 percent, it should say ten percent for Bingo or other activities.

[Original punctuation included.]

What is in CSSB 146 - Operators

- Elimination of some paperwork that isn't being done currently or can be automated by the State.
- Operators' contracts require 30percent of adjusted gross income from pull-tabs and 10percent for bingo go to permittees. All reporting not needed for these two numbers is eliminated (payroll, utilities, etc.).
- Operators can pool permits together and split the 30percent among them.

- Currently they must track each game to a single non-profit.
- E-tabs are only available to operators that have been in business for three years until 2030.
 - This is intended to control the rollout of E-tabs.
- An operator must have an employee dedicated to their pull-tabs and e-tabs.
 - Can't have a laundry mat with e-tabs and the laundry worker is working the gaming or vice versa.
- Allowed to have cabinets and handheld devices.
- If an operator leases bar space, they may not have e-tab cabinets in the facility, only mobile devices.
- Allow permittees to use their full permit limits of \$5 million with operators.

[2:24:18 PM](#)

MR. FISCHER moved to slide 24.

[Original punctuation included.]

Money flows in one direction! There should be no "Kickbacks".

Permittee or Operator

- Pays Distributor a percentage of profits to use electronic systems
- Pays a per ticket cost for paper tickets
- Responsible for day-to-day operations of pull-tabs

[Arrow pointing down.]

Distributor

- Contracts with Manufacturer to distribute their Electronic Devices
- Buys paper tickets by the case
- Maintains Electronic devices

[Arrow pointing down.]

Manufacturer

- Designs, tests, and licenses electronic systems
- Manufacture paper pull-tabs

[2:25:28 PM](#)

MR. FISCHER moved to slide 25.

[Original punctuation included.]

What is in CSSB 146 - Manufacturers

- The Department may not issue a distributors license to a manufacturer
- May not pay for modifications to a building to install a gaming system or pay for utilities
- May not provide gifts, gratuity, premium, or other things of value to an entity or organization
 - A good product should speak for itself and not require kickbacks or incentives
- A manufacturer must sell paper pull-tabs to all distributors in the state that have been in business for at least three years
 - Must be at the same price points and quantity requirements
- Exclusive paper pull-tab games are limited to a one-year time frame, then are available to all distributors
- A manufacturer must submit a copy of contracts with distributors within 7 days of signing to the Department
 - This ensures no side deals or kickbacks
- A manufacturer may not obtain, use, share, or sell point-of-sales data from paper tickets or bingo

[2:27:05 PM](#)

MR. FISCHER moved to slide 26.

[Original punctuation included.]

Why address kickbacks?

- Currently in North Dakota distributors are being offered \$10,000 per device that they place in a bar that signs a long-term exclusive agreement by a Manufacturer
 - Bars know about the \$10,000 and expect that to be passed on to them

- Permittees may never benefit from this and may be hurt if machines come with a higher price per ticket than competitors
- A manufacturer or distributor could refuse to sell paper games to a permittee, operator, or vendor that does not use their devices
 - Especially troublesome when one distributor/manufacture controls what we estimate to be over 50percent of the paper market
- A manufacturer could do building renovations with the promise of a long-term contract and their devices may have a higher cost that is detrimental to the permittees
- A paper manufacturer could stop selling to a distributor that does not sell their electronic devices
- A multitude of other methods that can be devised if manufacturer and distributor kickbacks are not prevented

[2:27:17 PM](#)

MR. FISCHER moved to slide 27.

[Original punctuation included.]

What is in CSSB 146 - Vendors

- Able to pool permit holders and split proceeds for e-tabs
 - Allows them to run far more permits
- Allows for electronic transfer of funds
 - Distributors can establish a system that automatically distributes proceeds from the vendors bank account to the non-profits each month
- Limits vendor to tablets only - unlimited quantity
- Tablets will work better for many bars as bartenders won't have to spend large amounts of time counting paper tickets
- Less errors by dealers, no miscounts
- Access to more bars as tablets are considered a little classier (no paper mess)

- This version shows vendors share being reduced to 20percent for e-tabs. After further talks with vendors, we recommend an amendment putting it back at 30percent to help them increase salary to compensate for the lower tips that come with e-tabs

[2:28:01 PM](#)

MR. FISCHER moved to slide 28.

[Original punctuation included.]

What is in CSSB 146 - Electronic Pull-tabs

- No difference in permit prize cap between paper and e-tabs or combination of the two - \$5 million
 - No punishment for not using e-tabs, those that want to use their entire cap on paper and continue as they are can with the higher limit.
- Caps payouts at 90percent
- Allows an auto-close feature. For example, when all prizes over \$50 in a \$1 game are paid out, the game is removed, and a new game is loaded in. Players know there are always major prizes left in games they are playing
- Payout kiosks are restricted to employee access only. No self serve pull-tab popups
- Cabinets restricted to self directed facilities, operators in non-alcohol locations, and fraternal organizations
- Handheld devices allowed in all locations
- No limits on the number of devices in a location

[2:28:39 PM](#)

MR. FISCHER moved to slide 29, titled "Where does all the money go? Self Directed non-profit". The slide has a graphic representation of the distribution of revenue for 80 percent payout.

- Paper Pull-tabs, Ideal Net Split with Tickets at 5.5 cents, 80 percent payout:
 - Non-profit: 69.5 percent
 - Distributor: 27.5 percent
 - State Tax: 3.0 percent

- Electronic Pull-tabs, Ideal Net Split with Revenue Share at 33 percent, 80 percent payout:
 - Non-profit: 64.00 percent
 - Distributor: 33.00 percent
 - State Tax: 3.0 percent

[2:29:18 PM](#)

MR. FISCHER moved to slide 30, titled "Where does all the money go? Self Directed non-profit". The slide has a graphic representation of the distribution of revenue for 90 percent payout.

- Paper Pull-tabs, Ideal Net Split with Tickets at 5.5 cents, 90 percent payout:
 - Non-profit: 44.97 percent
 - Distributor: 55.00 percent
 - State Tax: 3.0 percent
- Electronic Pull-tabs, Ideal Net Split with Revenue Share at 33 percent, 90 percent payout:
 - Non-profit: 64.00 percent
 - Distributor: 33.00 percent
 - State Tax: 3.0 percent

[2:29:32 PM](#)

MR. FISCHER moved to slide 31, titled "Where does all the money go? Non-profit using an Operator." The slide has a graphic representation of the distribution of revenue for 80 percent payout.

- Paper Pull-tabs, Ideal Net Split with Tickets at 5.5 cents, 80 percent payout:
 - Non-profit: 27.0 percent
 - Distributor: 27.5 percent
 - Operator: 42.5 percent
 - State Tax: 3.0 percent
- Electronic Pull-tabs, Ideal Net Split with Profit Share at 31 percent, 80 percent payout:
 - Non-profit: 27.00 percent
 - Distributor: 31.00 percent
 - Operator: 39.00 percent
 - State Tax: 3.0 percent

[2:29:35 PM](#)

MR. FISCHER moved to slide 32, titled "Where does all the money go? Non-profit using an Operator." The slide has a graphic representation of the distribution of revenue for 90 percent payout.

- Paper Pull-tabs, Ideal Net Split with Tickets at 5.5 cents, 90 percent payout:
 - Non-profit: 27.0 percent
 - Distributor: 55.0 percent
 - Operator: 15.00 percent
 - State Tax: 3.0 percent

- Electronic Pull-tabs, Ideal Net Split with Profit Share at 31 percent, 80 percent payout:
 - Non-profit: 27.00 percent
 - Distributor: 31.00 percent
 - Operator: 39.00 percent
 - State Tax: 3.0 percent

[2:29:41 PM](#)

MR. FISCHER moved to slide 33, titled "Where does all the money go? Non-profit using a Vendor." The slide has a graphic representation of the distribution of revenue for 80 percent payout.

- Paper Pull-tabs, Ideal Net Split with Tickets at 5.5 cents, 80 percent payout:
 - Non-profit: 44.00 percent
 - Distributor: 33.00 percent
 - Vendor: 30.00 percent
 - State Tax: 3.0 percent

- Electronic Pull-tabs, Ideal Net Split with Profit Share at 33 percent, 80 percent payout:
 - Non-profit: 27.00 percent
 - Distributor: 31.00 percent
 - Vendor: 20.00 percent
 - State Tax: 3.0 percent

[2:29:54 PM](#)

MR. FISCHER moved to slide 34, titled "Where does all the money go? Non-profit using an Operator." The slide has a graphic

representation of the distribution of revenue for 90 percent payout.

- Paper Pull-tabs, Ideal Net Split with Tickets at 5.5 cents, 90 percent payout:
 - Non-profit: 12.0 percent
 - Distributor: 55.00 percent
 - Vendor: 30.00 percent
 - State Tax: 3.0 percent

- Electronic Pull-tabs, Ideal Net Split with Profit Share at 33 percent, 90 percent payout:
 - Non-profit: 44.00 percent
 - Distributor: 33.00 percent
 - Vendor: 20.00 percent
 - State Tax: 3.0 percent

[2:30:00 PM](#)

MR. FISCHER moved to slide 35.

[Original punctuation included.]

Next Steps

- With the adoption of CSSB 146 into committee we have a better foundation to look at
- This is still not ready to pass
 - It has not been reviewed by enough in the industry
 - We don't want to do the same thing Arrow has and try to push something that has not been thoroughly vetted
- Alaska Wholesale will organize regional meetings throughout the summer to see what concerns are and to help educate what changes would mean
 - We will use this CSSB as the starting point of the conversations
- We hope to bring back to the legislature in 2025 a bill that has broad support from the charitable gaming industry

[2:31:55 PM](#)

CHAIR BJORKMAN asked whether the distributions represented in the presentation reflected the current situation or what it would be under SB 146.

[2:32:13 PM](#)

MR. FISCHER explained that the distributions represented for paper pull tabs reflect the status quo. He said the price for tickets varies, but he chose 5.5 cents per ticket to represent what some sellers charge. He said the distributions for E-tabs are theoretical and is assuming purchases are made through his company where it is known that the distribution for operators will be 31 percent for 80 percent payouts and 33 percent for 90 percent payouts.

[2:32:57 PM](#)

SENATOR DUNBAR drew parallels between this situation and the Anchorage taxi-cab situation, which was a very segmented industry. He said it was complicated and difficult to know who the players were. He recalled high levels of dissent and expressed hope that was not the case for the pull tab industry. He asked for clarity about Alaska Wholesale, LLC's role in the industry, in particular with regard to E-tabs.

[2:33:51 PM](#)

MR. FISCHER explained that the manufacturers make the machines, develop the software, and ship the machines to his company. He ships the electronics out and provides technical support 24 hours per day. He said, by comparison, paper is easy; but his customers can't last much longer solely on paper. He said the manufacturers provide the machines and are the ones with money on the line; Alaska Wholesale, LLC provides the labor.

[2:34:42 PM](#)

SENATOR DUNBAR sought to mitigate his comment about dissent in the Anchorage taxi community. He noted the term "operator" and asked for clarity about that role. He noted that, though the machines are housed in a retail location, it sounds like Alaska Wholesale, LLC is placing the machines and servicing them and that sounds like "operating".

[2:35:11 PM](#)

MR. FISCHER acknowledged that perception. He said the dynamic is very different in a bar, for example. He said the bar owner has more control [with E-tabs]. He said, for paper pull tabs, a representative of a non-profit organization would deliver a box of paper tickets to the bar and would receive payment at that time. With E-tabs, the bar owners have more incentive to purchase the machines because they have the opportunity to pre-select the non-profit beneficiaries. He said Alaska Wholesale,

LLC is basically a pass-through entity. He emphasized the need to host pull tab operations in Alaska.

[2:37:03 PM](#)

SENATOR GRAY-JACKSON noted there has been a lot of work done to develop SB 146. She expressed appreciation for Mr. Fischer's work to date and his offer to continue. She expressed her hope for greater consensus on a bill that could move forward.

[2:37:38 PM](#)

MR. FISCHER said he could not promise that all stakeholders would agree, but he opined that a lot of disagreement was based in misconceptions. He expressed optimism that seeking to broaden perspectives and sharing accurate information will be helpful.

[2:38:18 PM](#)

At ease.

[2:41:56 PM](#)

CHAIR BJORKMAN reconvened the meeting.

[2:42:00 PM](#)

SENATOR MERRICK joined the meeting.

[2:42:22 PM](#)

JOSHUA LEWIS, Charitable Gaming Operator, Anchorage, Alaska, said he was representing concerned charitable gaming operators and non-profits with charitable gaming permits from Fairbanks, Wasilla, Palmer, Anchorage, Kenai, Soldotna, Homer and Kodiak. He said the non-profit corporations in Alaska strengthen communities by providing the educational, health and social services which our communities need, and the state government cannot fully provide. He said he had been involved in charitable gaming for two decades as a self-directed permittee, a multi-beneficiary permittee and a charitable gaming operator.

MR. LEWIS said the introduction of E-tabs will have a significant and profoundly negative impact on the industry. The Alaska charitable gaming industry is currently the poster child of charitable gaming nationally. Provisions for Alaska's non-profits to earn charitable gaming revenue exists in several distinct ways and no other state has these alternatives provided to their non-profits. He said the introduction of E-tab machines is effectively the introduction of slot machines into the Alaska market. E-tab manufacturers take between 30 and 50 percent of the charities' profits when new machines are introduced, and this money goes out of the state. He said E-tab machines provide

a five to fifteen percent profit to the charity compared to the 20 to 23 percent profit provided currently by paper pull tabs. A five-dollar purchase of pull tabs now provides one dollar to the non-profit permittee. A four-fold increase in volume or play would be required to realize the equivalent return from E-tabs. He said nearly all participants in Alaska charitable gaming will have a significant decrease in profits if E-tab machines are introduced and the only participants that will see an increase in revenue are the E-tab manufacturers.

MR. LEWIS concluded that SB 146 as currently written is not a good option for the State of Alaska.

[2:45:53 PM](#)

CHAIR BJORKMAN asked whether Mr. Lewis had reviewed the committee substitute for SB 146 available.

[2:46:01 PM](#)

MR. LEWIS said he had and that there are still basic problems with the bill. He expressed concern about the dollar amount going outside of Alaska, particularly to the manufacturers of E-tabs. He noted that manufacturers sometimes receive up to 50 percent of the revenues and said that was unworkable. He also said for pull tabs to work in a self-directed permittee situation, or for an operator, a twenty percent return would be required and the reality with E-tabs is that it simply doesn't work, because the players lose interest if they aren't getting 95 percent. In that case only five percent then goes to the permittee. He explained that it would take four times as many players or the current players will have to spend four times as much to break even or match the current non-profit income stream.

[2:48:40 PM](#)

STEVEN BORCHERDING, Operations Manager, Whaler Casino Supply, Anchorage, Alaska began a presentation on SB 146.

[2:49:39 PM](#)

MR. BORCHERDING moved to slide 2.

[Original punctuation included.]

STEVE BORCHERDING

- 35 + years in Alaska Charity gaming
 - Whaler Casino Supply (distributor) 13.5 years

- Gold Cache Bingo MBP (Director of Gaming) 20 years
- Whaler Bar (Vendor) 6 years
- AMVETS Department of Alaska (2nd Vice commander)
- Alaska Veterans Museum (Board member/Treasurer)
- Anchor Town Sports Association (President)
- AMVETS Post #2 (Board Chair)
- Appointed by Governor to negotiated rulemaking committee (2002)
- Appointed by Speaker to charity gaming task force (2005)

[2:49:58 PM](#)

MR. BORCHERDING moved to slide 3, which included a table comparing the costs of paper pull tabs and E-tabs under an 85 percent payout.

Paper:

Ticket purchase: one dollar

Prizes to players: \$0.85

Ideal Net (Adjusted gross income): \$0.15

Taxes to State: \$0.0045

Ideal Net/AGI minus taxes: \$0.1455

Cost of Goods: \$0.0350

Adjusted gross net: \$0.1105

E-tabs:

Ticket purchase: one dollar

Prizes to players: \$0.85

Ideal Net (Adjusted gross income): \$0.15

Taxes to State: \$0.0045

Ideal Net/AGI minus taxes: \$0.1455

Cost of Goods: \$0.0437

Adjusted gross net: \$0.1019

MR. BORCHERDING provided an overview of the slide, and made the following points:

- Paper pull tab ticket prices vary and are increasing.
- There is entertainment value to the pull tab industry.
- There is additional entertainment value when "pick boards" or "coin boards" are introduced and because they are more involved, the cost to play is higher.
- The difference in the adjusted gross net between paper pull tabs and E-tabs is less than one penny.

- E-tabs are not meant to replace paper pull tabs.
- Charities can choose between the payout options (80 percent, which he said is the "magic number", 85 percent or 90 percent)
- Charities can choose between paper pull tabs and E-tabs.

[2:55:34 PM](#)

MR. BORCHERDING advocated for the opportunity for separate endorsements. He referred to his experience running a Bingo Hall when he had separate endorsements for Bingo, pull tabs and raffles. He said each of those games had different margins, etc., and he said having different margins or distribution wouldn't make one game "evil". Instead, he suggested the view that E-tabs are another opportunity for charities to make money and provide an opportunity for more people to play. He said there are fraternal clubs in the lower 48 that have more people joining [and playing] and E-tabs are just another form of gaming.

[2:57:00 PM](#)

MR. BORCHERDING contested the assertion that money was going out of state and said all the E-tab machines were made out of state; Arrow is just one of the manufacturers. He said paper pull tabs were 90 percent of Arrow's business. He said Arrow was open to long-term contracts that protect the charities. He noted he was not there to defend Arrow, but it was well-known that The Whaler, whom he works for, was owned by Arrow.

[2:58:26 PM](#)

CHAIR BJORKMAN said he would appreciate Mr. Borcherdning's comments on the committee substitute and suggestions to improve the pull tab statutes.

[2:59:00 PM](#)

MR. BORCHERDING said he would like to help with that.

[2:59:05 PM](#)

CHAIR BJORKMAN noted the significant upward pressure on the price of paper pull tab tickets. He asked what the higher price of the paper tickets would mean for the non-profits.

[2:59:32 PM](#)

MR. BORCHERDING said one option would be to run higher profit games. He said as ticket prices increase; participation falls off. He noted that at least with E-tabs, there is no rising paper cost to account for. He said with the increases, a game that used to cost \$100 now would cost \$150 for the same game, so the non-profits are receiving \$50 less [than before]. He noted

the cost of everything has increased and will continue to increase, but a one dollar pull tab ticket will always be one dollar.

[3:00:38 PM](#)

CHAIR BJORKMAN restated that the non-profits are faced with less profit with paper because of the cost of paper and the overall ticket cost will need to be increased to continue to provide proceeds for the non-profits through the sale of pull tabs.

[3:00:59 PM](#)

Mr. Borcharding said it is [due to] the law of diminishing returns and at a certain point the break-even point just doesn't match anymore. He noted that a lot of the testimony is from operators and others who take a percentage and that self-directed charities retain all the money. He said "operator" is a legal term in Alaska and does not mean just anyone who sells pull tabs and is different than a full-blown charity. He said an operator receives a percentage for running [ticket sales] for permittees who cannot run it themselves. He noted that as the price of paper tickets increases, the operators are being squeezed out.

[3:01:52 PM](#)

DAVE LAMBERT, Licensed Charitable Gaming Operator, Fairbanks, Alaska, introduced himself and said he had been in the charitable gaming industry in Alaska for over 30 years and a licensed charitable gaming operator for 25 years. His testimony was to protect the over 100 non-profit organizations that contract with him to operate charitable gaming on their behalf. He said the non-profit organizations are not set up to run charitable gaming and Alaska has one of the best systems in the world to give non-profits the opportunity to raise funds. He explained that when he got into the industry a dollar pull tab cost one dollar; that was 30 years ago and a dollar pull tab still costs one dollar. With an operator, the [non-profit] permittee is guaranteed 30 percent and price increases do not affect them.

[3:02:46 PM](#)

MR. LAMBERT said SB 146 as written would not benefit the non-profits. He said the bill was written by an outside manufacturer to benefit them and that it creates a situation for Labor and Commerce because it would help the manufacturer form a monopoly. He acknowledged that the manufacturer reduced the percentage of proceeds they would collect over the course of presenting the bill in the House.

MR. LAMBERT explained that a bar owner does not have a choice of machine manufacturers and that the price for the tickets is not of concern to bar owners because they can charge whatever they want to, and they receive a fixed profit.

[3:04:01 PM](#)

MR. LAMBERT reported that the manufacturer had said they would work with the distributors and the people of Alaska and that they would not come in to be a distributor or an operator. However, he said the manufacturer obtained a distributor license shortly thereafter and then bought The Whaler. He noted this specific manufacturer owned most of the paper pull tab manufacturers and now they have their foot in the door to monopolize, there is no incentive for them to sell to other vendors.

MR. LAMBERT said SB 146 needs to go. He urged support for the committee substitute to the bill, but said it needed significant changes. He suggested the non-profits and other stakeholders spend the summer developing a proposal that will work for Alaska non-profits.

MR. LAMBERT addressed the provision to increase the limits of pull tab sales through SB 146. He said the limits were created in the 1980's and were outdated. He said the payout for E-tabs was currently higher and in order to make money, it would be necessary to sell more. He also expressed concern that raising the limit to \$5 million would squeeze out a lot of non-profits. He said when the prize limit was increased in the past, established non-profit organizations who were near to maxing out did not [due to the increased limits] and others who expected their turns to benefit were no longer in line to receive the proceeds.

[3:07:11 PM](#)

MR. LAMBERT recommended adopting CSSB 146 with the expectation that many changes and amendments would be made to it over the summer by the stakeholders. He said most of the non-profits don't know anything is going on.

[3:07:55 PM](#)

CHAIR BJORKMAN closed invited testimony on SB 146.

[3:08:15 PM](#)

CHAIR BJORKMAN opened public testimony on SB 146.

3:08:40 PM

CHARLES BORING, representing self, Anchorage, Alaska testified in support of SB 146. He said he was a retired veteran and an American Legion member for 35 years. He appreciated the invited testimony and emphasized the importance of charitable gaming to support Alaska non-profits. He spoke in favor of increased limits. He also said electronic gaming was or should be better controlled. He said he fully supported the passage of SB 146 which would allow legal and monitored electronic gaming. He noted that "the devil is in the details," but that he believed more money would be raised [for non-profits] because of SB 146.

3:10:03 PM

CHRISTA FOLI, Department Commander, American Veterans Club, Anchorage, Alaska, testified in support of SB 146 and said she also was a veteran and a member of the American Legion, the Veterans of Foreign Wars (VFW), and the Eagles club. She said the clubs with which she was affiliated all supported SB 146 and believed it would allow them to do more for their veterans in the future. She opined that [pull tabs and E-tabs were no different than the lottery and Bingo games that are available electronically.

MS. FOLI advocated for electronic games in particular, and said paper pull tabs would still be in demand. She highlighted the entertainment value of the games and said it offered an opportunity for people who would not be able to travel to Las Vegas the opportunity to play.

MS. FOLI reported that other clubs were able to raise more funds for the charities they support with electronic games and she noted that as other media are becoming more common in electronic formats, gaming electronically will continue to grow as well.

3:12:32 PM

JERRY LEWIS, Operator, Northern Lights Bingo, Anchorage, Alaska, testified in opposition to SB 146. He said he was intimately involved in the expansion of gaming in other states and was aware of the occurrence of unintended consequences. He said he had never seen charitable gaming run as well as in Alaska and he cautioned against changing it and possibly messing it up. He opined that operators would suffer the most under SB 146 and that operators are the majority of charitable gaming stakeholders. He asserted the E-tabs are a slot machine and they play like a slot machine and he noted that pull tabs are described as a paper slot machine. He said every other state that has adopted E-tabs has been trying to rein in their

unforeseen issues. He said neither SB 146 nor the committee substitute regulate what the manufacturers can charge for the games, though that has been spoken about. He noted operators currently pay about 20 percent for a game and that can range to 35 and 50 percent for E-tabs. He also said SB 146 does not regulate the number of games that a permittee or and MVP can have; it regulates how many an operator can have, but it doesn't regulate the other entities. Given the addictive nature of slot machines and alcohol, he recommended that they be severely limited. He said SB 146 and the committee substitute proposed to raise the prize limits for permittees and while he said that should be addressed, it was a slippery slope. He said for his operation raising the cap from \$500,000 to \$5 million would mean fewer charities would be "played." He said he would have to do ten times as much in sales to run the same number of permittees.

MR. LEWIS said SB 146 and the CS addressed excluded spinning reels to avoid mimicking a slot machine. He noted that slot machines had not included spinning reels in over 20 years and that should be cut out of the bill. In closing, he agreed that someday, electronics would come to Alaska, and he would be willing to work toward a workable draft.

[3:15:15 PM](#)

DON MITCHELL, representing self, Anchorage, Alaska, said he had no view as to whether the committee should pass or not pass SB 146. However, he sought to inform the committee that provisions or allowances of the Indian Gaming Regulatory Act of 1988 may bear on the application of SB 146 in Alaska to places that qualify as "Indian lands". He asserted that there were neither lands nor tribes in Alaska that qualify for the provisions of the 1988 Indian Gaming Regulatory Act, but he mentioned Klukwan, Metlakatla and Eklutna as villages that have pursued designation as Indian lands under the 1988 Act. He suggested that the committee consult with the Department of Law to avoid an Indian tribe operating free of any restrictions.

[3:18:36 PM](#)

SANDY POWERS, Operator, Big Valley Bingo, Wasilla, Alaska, testified with concerns on SB 146. She said she operates about 25 permits at her establishment and expressed concerns about social ill. She noted that states with electronic pull tabs are ranked in the top 20 for gambling addiction. She said Alaska is currently ranked number 47. She said she was concerned for the addiction risk for Alaskans if slot machine style E-tabs were introduced. She advocated for more oversight, in agreement with previous testimony.

3:20:10 PM

TIM NAVARE, representing self, Kenai, Alaska testified with concerns on SB 146. He said he was not currently personally involved with gaming, but that he has an interest because of his association with the Eagles Club in Alaska. He said he was in favor of continued work on SB 146 and the committee substitute with robust participation by stakeholders, especially the non-profits. He acknowledged that electronic pull tabs were likely to take over in the future and emphasized the need to contain costs without harming non-profits. He also noted the entertainment aspect of playing pull tabs, but that while players hope to make money, they all lose in the end. He urged that the cost of playing not be increased. He said if [all pull tab gaming] went to electronic, the players would have to play more to give the same amount to the non-profits and he compared that to a tax increase on the Alaskans playing pull tabs.

3:22:30 PM

HARLOW ROBINSON, Executive Director, Alaska Sports Hall of Fame, Anchorage, Alaska, testified in opposition to SB 146. sought to provide the perspective of a non-profit that benefits from charitable gaming for over a decade. He appreciated testimony on both sides of the issue and emphasized that Alaska does charitable gaming right. He noted the awareness of the dangers of legalized gaming and said he was genuinely concerned about the expansion of gambling with electronic pull tab systems. He said his impression of Bingo halls is that they are safe places with no alcohol and they often serve as important community gathering places. He opined that E-tabs were more addictive. He said Alaska has all kinds of societal ills right now and he hoped not to add to that or compound it in any way. He expressed skepticism about the proposed benefit to non-profits and concerns about operators as well as money leaving the state. He advocated for not fixing something that isn't broken and said that, while electronic gaming may be inevitable in the future, it need not be adopted quickly for pull tabs.

3:25:30 PM

CARRIE CROOK, Bartender, American Legion Post 29, Anchorage, Alaska, testified in support of SB 146. She said she is a member and bartender and that the post uses the money to support the community there, including schools, veterans, families. She said introducing E-tabs would generate more for the post and others who would benefit include the bartenders, the pull-tab dealers, charities across the state. She emphasized that generating

additional income would give charities the freedom to do more and say yes more when they have people in need of help.

[3:27:26 PM](#)

CHAIR BJORKMAN closed public testimony on SB 146.

[3:27:45 PM](#)

CHAIR BJORKMAN removed his objection.

[3:27:51 PM](#)

CHAIR BJORKMAN found no further objection and CSSB 146, was adopted as the working document.

[3:28:25 PM](#)

CHAIR BJORKMAN held SB 146 in committee.

[3:28:33 PM](#)

At ease.

HB 253-FEDERALLY DESIGNATED REFRIGERANTS

[3:30:46 PM](#)

CHAIR BJORKMAN reconvened the meeting and announced the consideration of HOUSE BILL NO. 253 "An Act relating to refrigerants designated as acceptable for use under federal law."

[3:31:13 PM](#)

REPRESENTATIVE STANLEY WRIGHT, District 22, Alaska State Legislature, Juneau, Alaska, said HB 253 adds a small section to Alaska's statutes, which allows for but does not mandate the transition away from hydrofluorocarbons (HFCs). This legislation simply ensures that building codes in Alaska do not stop the use of and approve EPA HFC alternatives if the equipment needed is installed properly in compliance with the necessary safety standards. There is a nationwide effort to transition from HFCs to less pollutant alternatives in the HVAC and construction industries are beginning to gain significant momentum. HB 253 will ensure that Alaska is able to adopt these new technologies as they become available and ready for the market.

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JOSIPHIAH MASON, Staff, Representative Stanley Wright, Alaska State Legislature, Juneau, Alaska, provided an overview of HB 253. He said House Bill 253 ensures the heating, ventilation and air conditioning (HVAC) and construction industries in Alaska can transition to the use of newer refrigerants and technologies

which are less pollutant than the currently used hydrofluorocarbons (HFCs). HB 253 is necessary so that Alaska may participate in the larger federal push to transition away from HFC containing refrigerants, which has initiated as part of American innovation and manufacturing Act signed into law in December 2020. He noted that HB 253 did not contain any mandates. It would allow Alaska to move forward with this transition by ensuring that Alaska building codes would not prevent the use of an HFC alternative if all safety and installation standards are met. On the national level, making the transition away from HFCs would contribute to creating an estimated 33,000 jobs, as well as continuing support of over 138,000 current jobs.

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REPRESENTATIVE WRIGHT explained that HB 253 was functionally the same as legislation introduced the prior year except that it was worded differently with the guidance of legislative legal services.

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CHRISTOPHER BRESEE, Manager of Government Affairs, Air-Conditioning, Heating and Refrigeration Institute (AHRI), Denver, Colorado offered AHRI's strong support for HB 253. He said AHRI represented about 330 manufacturers of HVAC and water heating equipment, about ninety percent of the North American market. He said he was available to answer any questions.

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CHAIR BJORKMAN held HB 253 in committee.

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There being no further business to come before the committee, Chair BJORKMAN adjourned the Senate Labor and Commerce Standing Committee meeting at 3:35 p.m.