

HB

236

HOUSE COMMITTEE REPORT

(7)

Date referred: 4/1/87

FURTHER REFERRALS: Judiciary
Finance

DATE: 5/14/87
HB 236

The Labor & Commerce Committee has considered _____

"An Act establishing a state lottery, creating the Alaska State Lottery Corporation, and establishing the arts and public broadcasting account in the general fund; and providing for an effective date."

RECOMMENDS:

- replace with _____ the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

Cliff Davidson

SIGNING OTHER RECOMMENDATIONS:

Cliff Davidson do not pass
W. Furnace NO Rec.
Donald Douley NO Rec.
Ellis no rec.

Donald Douley
Chairman's signature

WOULD THE STATE OF ALASKA MAKE MONEY FROM A STATE OPERATED LOTTERY?

FY85 total U.S. sales, \$8,982,200,000.

FY85, U.S. per capita sales, \$98.02.

FY85, weekly U.S. per capita sales, \$1.88.

AK Dept. of Labor Population Estimate for 1986; 545,200.

\$100 (per capita sales) x 540,000 (AK pop.) = \$54,000,000 (gross sales)

35% x \$54,000,000 (gross sales) = \$18,900,000 (net \$ to State)

40% x \$54,000,000 (gross sales) = \$21,600,000 (net \$ to State)

45% x \$54,000,000 (gross sales) = \$24,300,000 (net \$ to State)

\$80 (per capita sales) x 540,000 (AK pop.) = \$43,200,000 (gross sales)

35% x \$43,200,000 (gross sales) = \$15,120,000 (net \$ to State)

40% x \$43,200,000 (gross sales) = \$17,280,000 (net \$ to State)

45% x \$43,200,000 (gross sales) = \$19,440,000 (net \$ to State)

These estimates do not include lottery product sales to the tourist market of 775,000 annually.

WHAT KIND OF LOTTERY GAMES WOULD BE LIKELY FOR AN ALASKA LOTTERY?

We will have to assume that Alaska will use the experiences of other states as a guide for implementing its lottery. An instant lottery is almost always the first lottery product made available to the public. After a period of time deemed appropriate by the lottery agency management team (six months to a year), an on-line system would be started. This would provide for sales of lottery tickets for a periodic (weekly - monthly draw) lotto game and two simple numbers games (pick 3, & pick 4). For the past 12 years this has been the normal pattern for lottery states.

Eightyfive percent of the state's population would have direct access to on-line games and between 85% and 95% of the population would have access to instant tickets. A subscription program could be established to provide access to the lottery for residents of rural areas.

In addition to this game structure I believe that a specific instant game would be designed and marketed to the tourist visiting Alaska.

With this game structure Alaska would experience predictable sales curves which have been consistent in state after state for lottery start-ups. One sales curve for instant games and a separate sales curve for on-line games. The sum of these two curves depict gross revenues and can help to forecast long-range net profits to Alaska. The basic sales curves experienced by previous lottery states is illustrated below.

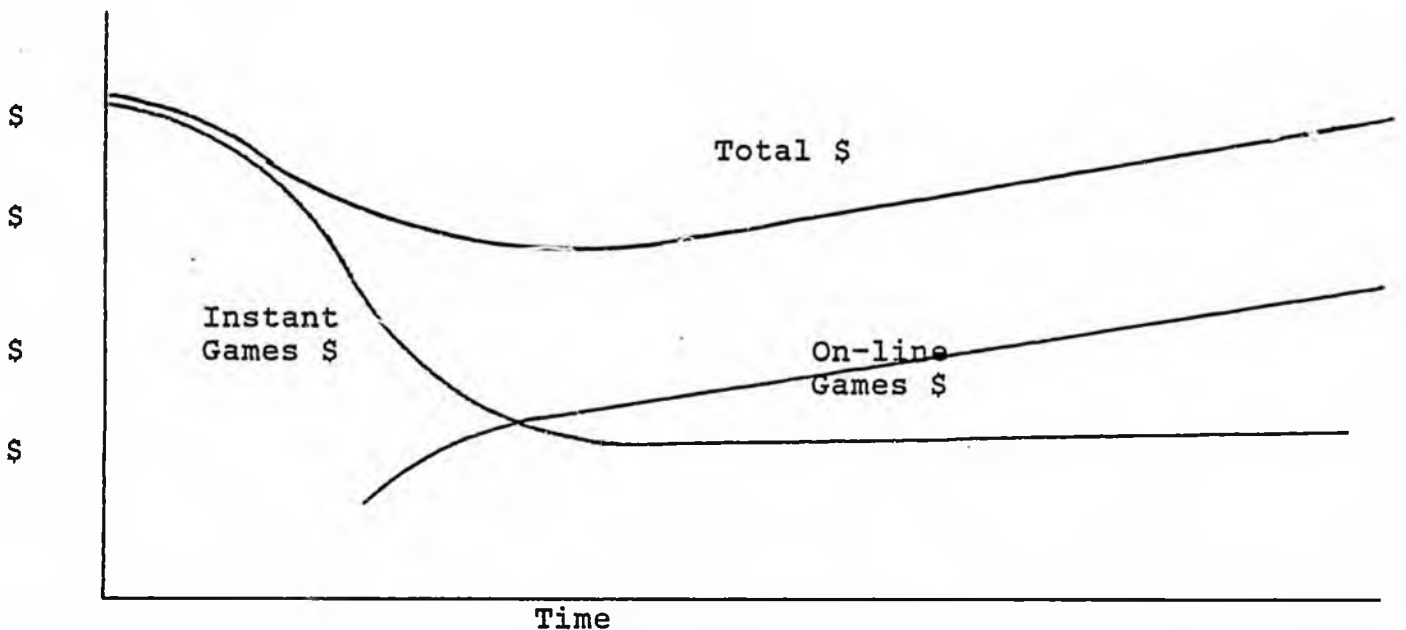


Table 2-III

1984 ALASKA POPULATION ESTIMATES BY COMMUNITY SIZE

A COMMUNITY SIZE		B #	C TOT. POP.	D % of AK	E # WIC	F % SVD.
0 -	50	37	1,266	0.24	0	
51 -	100	51	3,834	0.73	4	7.8
101 -	150	23	2,881	0.55	3	12.5
151 -	200	24	4,087	0.78	7	29.2
201 -	250	23	5,194	0.99	10	43.5
251 -	300	19	5,252	1.00	4	19.1
301 -	400	23	7,883	1.51	10	43.5
401 -	500	23	10,370	1.98	21	91.3
501 -	600	18	9,821	1.88	10	55.6
601 -	700	8	5,242	1.00	7	87.5
701 -	800	2	1,509	0.30	2	100.0
801 -	900	4	3,448	0.66	5	100.0
1,001 -	1,500	4	4,690	0.90	4	100.0
1,501 -	2,000	3	4,809	0.92	1	33.3
2,001 -	2,500	4	9,424	1.80	6	100.0
2,501 -	3,000	2	5,892	1.13	4	100.0
3,001 -	3,500	4	13,066	2.50	6	100.0
3,501 -	4,000	2	7,462	1.43	4	100.0
4,001 -	5,000	1	4,850	0.93	3	100.0
5,001 -	8,000	1	7,611	1.46	3	100.0
9,001 -	15,000	2	21,446	4.10	8	100.0
15,001 -	25,000	2	47,100	9.01	11	100.0
25,001 -	50,000	1	25,791	4.93	4	100.0
50,001 -	75,000	1	62,175	11.89	9	100.0
75,000 -	250,000	1	243,829	46.62	36	100.0
BCSA's (Table 3-III)			4,116	0.78	0	
Total		283	523,048	100.00	180	

Source: Alaska Department of Labor, Research and Analysis; (Draft) Alaska Population Overview, 1985; Table IV.2.

Alaska Department of Health & Social Services; Special Supplementary Food Program for Women, Infants and Children, Vendor List, Sept. 1985.

Column Explanations

- A. Self explanatory.
- B. Number of communities within the size indicated in column A.
- C. Total population of all the communities within that size group.
- D. Percent of the total population of Alaska within that size group.
- E. Number of WIC vendors serving communities within that size group.
- F. Percent of population within that size group served by WIC vendors.

Table 3-III

1984 ALASKA POPULATION ESTIMATES FOR COMMUNITIES OVER 2000

PLACE/S	POPULATION	% of AK.
Anchorage Borough	243,829	
Subtotal	243,829	46.62
Fairbanks Area (Frbnks., Eielson, College, No. Pole, & Fox)	62,175*	
Subtotal	306,004	58.50
Palmer-Wasilla	25,791*	
Juneau Bourough	23,729*	
Kenai-Soldotna	23,371*	
Subtotal	378,895	72.45
Kodiak Area (Kodiak & Kodiak C.G.B.)	11,024*	
Ketchikan Area (Ketch., No. Tongas Hwy. & Saxman)	10,422*	
Subtotal	400,341	76.54
Sitka Borough	7,611	
Subtotal	407,952	78.00
Delta Jct. Area (Delta Jct., Big Delta & Ft. Greely)	4,850*	
Subtotal	412,802	78.92
Bethel	3,743*	
Valdez	3,719*	
Homer	3,373	
Petersburg	3,340*	
Nome	3,184*	
Adak	3,169	
Subtotal	433,330	82.85
Barrow	2,969	
Seward	2,923*	
Subtotal	439,222	83.97
Wrangell	2,499*	
Kotzebue	2,485*	
Cordova	2,356*	
Dillingham	2,084*	
Subtotal	448,646	85.78
Remainder (262 places of less than 2000)	70,286	
Balance of Census Subareas (BCSA's)**	4,116	523,048 100.00

Source: Alaska Department of Labor, Research and Analysis, (Draft)
Alaska Population Overview, 1985; Table IV.1.

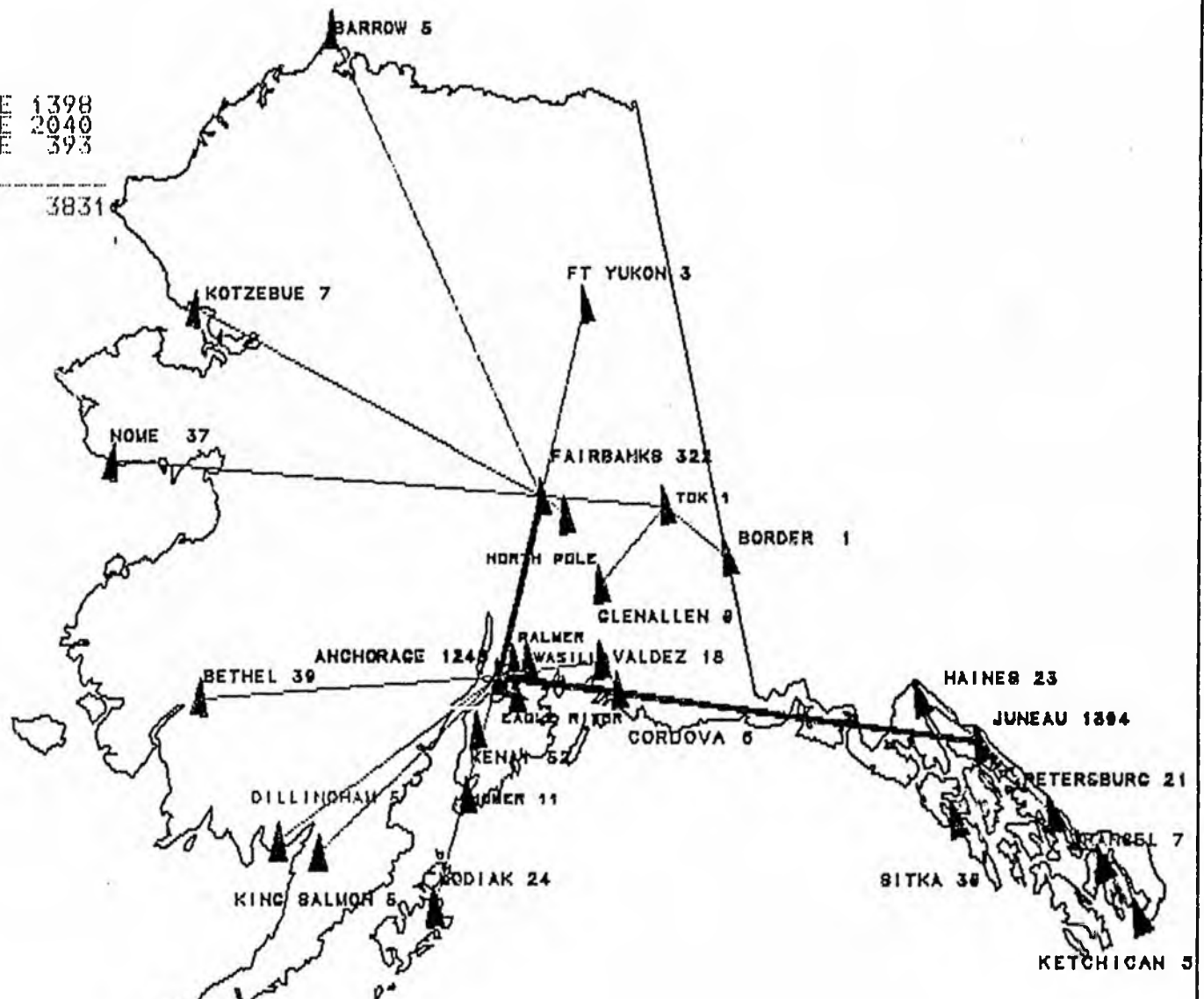
* Population in BCSA included.

** Balance of Census Subareas (BCSA) contain those people living outside of defined communities designated as census areas; i.e., those living in the Kodiak area but outside of the Kodiak city limits.

IRM DATA NETWORK

TERMINALS
 ANCHORAGE NODE 1398
 JUNEAU NODE 2040
 FAIRBANKS NODE 393

 TOTAL 3831



WHO PLAYS THE LOTTERY?

CALIFORNIA (moderate players)

Income

Under \$7,000	5%
\$ 7,000 - \$14,999	13%
\$15,000 - \$24,999	18%
\$25,000 - \$29,999	16%
\$30,000 - \$39,999	18%
\$40,000 - \$49,999	8%
\$50,000 or more	22%

Education

Less than high school	4%
High school graduate	28%
Some coll./trade school	41%
College graduate	15%
Post graduate training	12%

MICHIGAN

Income

\$10,000 or less	17.3%
\$10,000 - \$19,999	23.2%
\$20,000 - \$29,999	25.3%
\$30,000 - \$39,999	18.1%
\$40,000 - \$49,999	7.9%
\$50,000 - \$59,999	4.2%
\$60,000 - \$69,999	1.9%
\$70,000 and above	2.1%

Education

Less than high school	12.3%
High school graduate	46.0%
Some college	20.8%
Trade/technical school	2.9%
College/post graduate	18.1%

Profile of Typical Michigan Lottery Player

- * White
- * Male/Female
- * Married
- * 25 - 44 years of age
- * At least a high school graduate
- * Employed in a skilled, semi-skilled or trade occupation
- * Household income of \$20,000 - \$29,999

ARIZONA: An independent study concluded that "the poor are dramatically underrepresented among lottery players."

ILLINOIS, MICHIGAN, NEW JERSEY, NEW YORK, PENNSYLVANIA: An analysis of the household income profiles of over 6.5 million winners established that "the poor participate in the state lottery games a levels disproportionately less than their percentage of the population."

WASHINGTON: An analysis of all players in the lottery during the 1983 reporting period indicated the group which played the lottery the least was the under-\$10,000 income range.

HOW DOES OPERATION OF A STATE LOTTERY AFFECT OTHER CHARITABLE GAMING?

Washington state is similar to Alaska in that they have many rural communities with a substantial number of minority residents.

Washington also licenses charitable organizations to operate games of skill and chance similar to Alaska.

According to Mary Faulk, past Director of the Washington State Lottery and current Commissioner of Administration for Washington, the lottery has not negatively affected their charitable gaming industry.

It appears that the opposite is true.

License applications for charitable gaming in Washington increased by about 10% per year for the first three years of their lottery's operation.

Gross income from those games operated by charitable organizations increased at a rate of 15% per year for the same time period.

WHERE DO LOTTERY PROFITS GO?

ARIZONA - Roads and Highways, Cultural Programs, & General Fund

CALIFORNIA - Public Education (K-12, 81%; CC's, 12%, Univs., 7%)

COLORADO - Parks & Recreation

DIST. of COLUMBIA - General Fund

DELAWARE - General Fund

ILLINOIS - Public Education

IOWA - Economic Development

MAINE - General Fund

MARYLAND - General Fund

MASSACHUSETTS - Municipal Revenue Sharing

MICHIGAN - Public Education

MISSOURI - General Fund

NEW HAMPSHIRE - Public Education

NEW JERSEY - Public Education (min. of 30% of gross sales;
remainder of net income to General Fund)

NEW YORK - Public Education

OREGON - Economic Development

PENNSYLVANIA - Senior Citizen Benefits

RHODE ISLAND - General Fund

VERMONT - General Fund

WASHINGTON - General Fund (public schools, 46%; higher ed., 15%;
human resources, 27%; parks & recreation and Miscell., 12%)

WEST VIRGINIA - General Fund

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

April 27, 1987

SUBJECT: Section-by-section analysis of HB 236
TO: Representative Dave Donley
FROM: George Utermohle *GU*
Legislative Counsel

The following is a section-by-section analysis of HB 236, An Act establishing a state lottery, creating the Alaska State Lottery Corporation, and establishing the arts and public broadcasting account in the general fund; and providing for an effective date.

A section-by-section analysis or summary of a bill should not be considered an authoritative interpretation of a bill. The bill itself is the best statement of its contents.

Section 1. Section 1 of the bill states the Findings and Purpose of the bill.

Section 2. Section 2 of the bill amends AS 05 by adding a new chapter.

CHAPTER 18. State Lottery
ARTICLE 1. Administration.

Sec. 05.18.010 creates the Alaska State Lottery Corporation as a public corporation within the Department of Revenue. The corporation is established for the purpose of generating revenue for the support of the Alaska State Council on the Arts and the Alaska Public Broadcasting Commission and for other expenses of the state.

Sec. 05.18.020 establishes the board of directors of the corporation.

The board consists of five members, one of whom is the commissioner of revenue, one of whom has experience in public broadcasting, one of whom has experience in arts or arts administration, and two of whom are public members.

Appointed members of the board shall qualify under AS 39.05.100. The governor appoints the chair of the board.

The members appointed by the governor are appointed to staggered terms of four years. A vacancy on the board does not impair the authority of the board.

The governor may remove a member of the board provided certain procedures are followed.

Appointed members of the board receive \$150 per day for each day they are engaged in the duties of the board.

Appointed members of the board also receive travel expenses and per diem.

Sec. 05.18.030 provides that the board shall meet quarterly and at other times determined by the chair or the members of the board or at other times scheduled by the board.

At least three members of the board must be present and vote in favor of the action for an action of the board to be effective.

Sec. 05.18.040 sets out the duties and powers of the board. The board is responsible for the management of the corporation but shall delegate certain powers and duties to the executive director.

Sec. 05.18.050 sets out the regulations that the board must adopt.

Sec. 05.18.060 provides for the executive director and employees of the corporation.

The executive director shall supervise and direct the corporation. The board shall appoint the executive director.

The executive director may appoint deputies and other employees necessary to perform the duties of the corporation.

The executive director and other employees of the corporation are in the exempt service, however the employees are covered by those provisions of AS 23 that are applicable to state employees.

The corporation may not employ persons who have been convicted of certain crimes.

Sec. 05.18.070 sets out the duties of the executive director.

Sec. 05.18.080 provides that executive director or the board may compel production of persons and documents by subpoenas. The executive director and the board may enforce compliance with a subpoena by applying to the superior court.

ARTICLE 2.

Sec. 05.18.100 relates to lottery retail sales agents.

The executive director may contract with persons to act as lottery retail sales agents for the corporation.

The lottery retail sales agent may sell lottery products and award certain lottery prizes. The lottery retail sales agent may employ persons to sell lottery products and to award certain lottery prizes.

The lottery retail sales agent shall supervise each employee authorized to sell lottery products and to award lottery prizes.

Sec. 05.18.110 sets out the qualifications necessary for a lottery retail sales agents.

Persons who want to be lottery retail sales agents must apply to the executive director of the corporation and pay the application fee charged by the corporation.

In awarding contracts to lottery retail sales agents the executive director shall consider several factors including

- (1) the financial responsibility and security of the applicant and the applicant's business;
- (2) accessibility of the applicant's place of business;
- (3) the ability of the applicant to promote the sale of lottery products;
- (4) the need for additional sales agents;
- (5) the volume of expected sales; and
- (6) other relevant factors.

The executive director may not contract with a person if the person

- (1) is not a resident of the state or is not a corporation, partnership, or association licensed to conduct business in the state;
- (2) does not conduct a business;
- (3) is under the age of 18 years; or
- (4) has been convicted of certain felonies.

Sec. 05.18.120 provides that the term of a contract with a lottery retail sales agent may not exceed two years but the contract may be renewed.

Sec. 05.18.130 provides for the revocation and suspension of contracts with lottery retail sales agents.

Sec. 05.18.140 provides for the compensation of lottery retail sales agents and establishes the criteria that the executive director must consider in setting compensation for lottery retail sales agents.

Sec. 05.18.150 establishes requirements for payment of proceeds and for reports by lottery retail sales agents.

Each lottery retail sales agent shall deposit lottery proceeds in banks designated by the executive director.

Each lottery retail sales agent shall report on the sales of lottery products every two weeks.

The executive director may impose a service charge on a lottery retail sales agent for dishonored checks and electronic fund transfers.

The executive director may charge a lottery retail sales agent interest and service charges on any amount that is 10 days past due.

The amount owed to the corporation is a lien against the property of the lottery retail sales agent at the time that the corporation files a claim of lien in the recording office where the principle place of business of the agent is located.

Sec. 05.18.160 requires the lottery retail sales agent to post a bond in the amount determined by the board of directors in order to protect the state.

The bond remains in effect until cancelled by the surety, the principal, or the corporation.

An action to collect from a bond must be brought within three years after the bond is cancelled.

ARTICLE 3. PRIZES

Sec. 05.18.200 prohibits the assignment of a lottery prize. A lottery prize may be paid to a person other than a prize winner if the payment is made under a court order, if the payment is made to the prize winner's estate, or if the payment is made to the Department of Revenue to satisfy a judgment in favor of the state.

Sec. 05.18.210 provides for the payment of prizes to persons under 18 years.

A prize of \$5,000 or less shall be paid to an adult member of the minor's family or the minor's guardian. A prize of more than \$5,000 shall be deposited in a bank to the credit of an adult member of the minor's family or a guardian of the minor, as a custodian for the minor. The person named as a custodian is subject to AS 45.60.

The state is discharged of liability for payment of prizes to a minor by payment under this section.

The terms "bank", "guardian", and "member" of a "minor's family" are defined.

Sec. 05.18.220 provides for the distribution of unclaimed prizes.

ARTICLE 4. MISCELLANEOUS PROVISIONS.

Sec. 05.18.300 establishes the arts and public broadcasting account in the general fund. The proceeds received from the sale of lottery products shall be credited to the account. The annual estimated balance in the account shall first be used to make appropriations to the Alaska State Council on the Arts and the Alaska Public Broadcasting Commission. That portion of the annual estimated balance in the account not necessary for the support of the Alaska State Council on the Arts and the Alaska Public Broadcasting Commission may be appropriated to other purposes.

Sec. 05.18.310 provides for an annual audit of the books and records of the corporation by certified public accountants. Special audits may be performed at the request of the board or the executive director.

Sec. 05.18.320 sets out prohibited acts.

A person may not

- (1) act as a lottery retail sales agent or sell a lottery product without a contract with the corporation;
- (2) sell a lottery product for a price greater than that fixed by the corporation;
- (3) sell a lottery product to a person under the age of 18 years;
- (4) counterfeit a lottery product;
- (5) present a counterfeit or altered lottery product for payment; or
- (6) impersonate a representative of the lottery.

A lottery retail sales agent, a member of the board, or an officer, employee, or a contractor of the corporation may not purchase a lottery product or receive a lottery prize.

A lottery retail sales agent may not wilfully withhold funds owed to the corporation.

A lottery product may be given to a person of any age.

Sec. 05.18.330 provides that a person may not assign a contract with the corporation without the permission of the corporation.

Sec. 05.18.340 provides that a person who violates AS 05.18.150, 05.18.160, 05.18.200, 05.18.320, or 05.18.330 is guilty of a class C felony.

Sec. 05.18.350 provides that each lottery product must indicate the odds of winning a prize.

Sec. 05.18.980 provides that the operations of the corporation are exempt from AS 05.15, relating to games of chance and contests of skill, and from state procurement laws including AS 36.30.

Sec. 05.18.990 sets out the definition of "agent", "agent contract", "board", "corporation", "director", "lottery", "lottery product", "operation and administration", and "person".

Section 3. Section 3 of the bill amends AS 36.30.015(e) to provide the Alaska State Lottery Corporation with the authority to adopt regulations substantially equivalent to the State Procurement Code (AS 36.30).

Section 4. Section 4 of the bill amends AS 36.30.050(c) to provide that the Alaska State Lottery Corporation may use lists of contractors prepared by the Department of Administration.

Section 5. Section 5 of the bill amends AS 36.30.990(1) to exclude the Alaska State Lottery Commission from the definition of "agency" so that the Alaska State Lottery Corporation is exempt from the State Procurement Code (AS 36.30).

Section 6. Section 6 of the bill amends AS 39.25.110(11) by adding a new subparagraph to provide that the employees of the Alaska State Lottery Corporation are in the exempt service.

Section 7. Section 7 of the bill amends AS 39.50.200(b) by adding a new paragraph to provide that the members of the board of directors of the Alaska State Lottery Corporation must disclose financial interests under AS 39.50.

Section 8. Section 8 of the bill sets July 1, 1987 as the effective date of sections 1, 2, 6, and 7 of the bill.

Representative Donley
Page 7
April 27, 1987

Section 9. Section 9 of the bill provides that sections 3-5 of the bill take effect on the same date as section 2, chapter 106, SLA 1986 (State Procurement Code).

GU:mkr
m11/076

APRN

VOICES OF ALASKA

MAY 4 1987

Alaska Public Radio Network ★ 4640 Old Seward Highway ★ Suite 202 ★ Anchorage, Alaska 99503 ★ (907) 563-7733

April 29, 1987

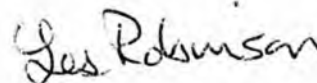
Representative Dave Donley
Chairman, Labor and Commerce Committee
Pouch V
Juneau, Alaska 99811

Dear Representative Donley:

I understand your committee will be reviewing HB 236 which creates a state lottery and establishes an Arts and Public Broadcasting account in the general fund. I support this bill. Its language preserves the appropriation prerogative of the legislature and at the same time states legislative intent. Proceeds from such a lottery will do little to help these important programs if simply deposited in the general fund.

I have urged such a system of support for our Public Broadcasting system since 1977. For many Alaskans these broadcast services are the only link to the outside world and it is important that a system be found to protect these services.

Sincerely,



Les Robinson
Manager KDLG Dillingham
President APRN

LR: kc
CC: APRN file.

A non-profit corporation funded by these APRN Member Stations:

KSKA-FM Anchorage • KBRW-AM Barrow • KYUK-AM Bethel • KDLG-AM Dillingham • KUAC-FM Fairbanks • KHNS-FM Haines
KBBI-AM Homer • KTOO-FM Juneau • KRBD-FM Ketchikan • KMXT-FM Kodiak • KOTZ-AM Kotzebue • KSKO-AM McGrath
KFSK-FM Petersburg • KCAW-FM Sitka • KSTK-FM Wrangle!

Testimony of Charles Northrip, Executive Director
of the Alaska Public Broadcasting Commission
on HB 236
before the House Labor and Commerce Committee
May 7, 1987

Mr. Chairman and members of the committee my name is Charles Northrip. I currently serve as Executive Director of the Alaska Public Broadcasting Commission. I was also founding executive director of the Commission and have spent 24 years of my professional life creating and directing various telecommunications activities in Alaska. I have watched public broadcasting grow from one public radio station in 1962 to a coordinated and integrated system by 1978. Today, four public television and 16 public radio stations, plus several repeaters and translators provide public television to over 90% of Alaska's citizens and public radio to over 97% of our population.

Alaska's public radio and television system represents a capital investment in excess of \$50 million, built through a combination of Federal, State and institutional funds, plus substantial contributions by corporations, listeners and viewers. If public broadcasting were to go dark in Alaska, over 50% of its equipment would be repossessed by Federal funders and that entire investment would have to be paid by the State in order to re-create the system at some future time.

Annual operating revenues for public broadcasting in Alaska in FY'86 (the last year for which we have complete figures) total 13.5 million, of which the State, through the APBC, provided 7.4 million or 55% of the total. The remaining 45% comes from Federal grants through the Corporation for Public Broadcasting (CPB) and from corporate and listener/viewer support. Each public station, when all revenues are considered, spends more locally and in Alaska than it receives in State grants.

Public broadcasting's most important product is its programming service. There is no other way to originate true statewide broadcast coverage of regular and recurring activities. The most basic life and safety information would not be available in many areas of Alaska without public broadcasting. Public stations provide programs that the commercial system cannot supply. The public system is interactive and interconnected, with urban stations supplying necessary economic and government information to rural areas and rural areas providing vital insights into remote life to urban areas.

These program services have suffered a 15% cut in State support over the past year. At best, another 6% cut will be absorbed in the coming year. At worst, State funding for public broadcasting could be eliminated. Public broadcasting's vital programming needs a stable base of State support. The APBC feels that public broadcasting is worthy of that support and that such support is a legitimate and necessary use of State funds.

The APBC is mindful, however, of the problems the State is facing regarding declining oil revenues. Over the past two years our Long Range Planning Committee has grappled with ways to reduce costs and still preserve Alaska's unique and vital public broadcasting system. As each alternative was

considered the same conclusion kept re-emerging. Our current system is an excellent one; how can we find new revenues to continue it, if State General Fund support must decline? One idea came to the fore: an official State lottery, conducted on public broadcasting, to benefit public broadcasting. The APBC came to this conclusion separately and apart from Representatives Boyer and Cato, but we welcome and appreciate their action in filing the bill that is before this committee. I'd like to sketch briefly why the Commission believes a statewide lottery is a good way to raise funds for public broadcasting and why public broadcasting is uniquely well suited to benefit from lottery proceeds.

An official statewide lottery is the only form of gambling which broadcast stations can broadcast or promote. Section 73.1211 of the Federal Communications Commission's rules and regulations prohibits any station from broadcasting lotteries or information about lotteries. Alaska's public radio and television stations, therefore, can't take on-the-air advantage of Alaska's existing gaming statute. The FCC, however, has made a permanent exception in its rules to allow stations to broadcast official state lotteries. Public broadcasting could, therefore, be designated as the system over which lottery drawings would be held and, in a manner of speaking, "earn its own keep." Such an arrangement would also help the Legislature and the population as a whole understand the creation of a special fund within the General Fund for proceeds of the lottery to be used for public broadcasting.

The content of public broadcasting offers programming of such a positive nature that it could offer some countervailing value to those who have objections to lotteries on moral or social grounds. Public broadcasting has taken a leading role in combatting alcohol and drug abuse through its Chemical People series. Its contributions to education are too numerous to mention. Its documentaries on such topics as child abuse, race discrimination and many others have placed it in the first rank of institutions noted for promoting the "public interest," in the broadest sense of that term. Its in-depth coverage of public issues from impeachment to the permanent fund are well known.

Funds for public broadcasting from a State lottery would be "undesignated funds" from a programming point of view. A criticism that public broadcasting faces from time to time is that it airs some programs simply because commercial underwriters are willing to fund those programs, rather than others. Funds provided to public broadcasting from the proceeds of a State lottery would be available for programming in response to State and community needs. Such programs would be highly credible and objective, due to the nonpartisan and disinterested source of the funding.

In summary, the APBC welcomes the proposal for a State lottery to benefit public broadcasting. Public broadcasting will be legally able to conduct the lottery and promote it. Public broadcasting programs are worthy of this type of support and will return to society high public interest value in exchange for lottery funds. And, finally, lottery funds will provide an objective and unbiased source of support for public broadcasting.

Thank you Mr. Chairman. I'd welcome the opportunity to answer any questions you or members of the committee may have.

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

Bill Version: HB 236
Publish Date: _____

REQUEST: _____

Revision Date: _____
Title: An Act establishing a State Lottery,
creating the Alaska State Lottery Corp.,
and establishing the arts and public
broadcasting account, etc.
Sponsor: Rep. Boyer and Cato
Requestor: House Labor & Commerce Committee

Agency Affected: Dept. of Administration
BRU: Alaska Public Broadcasting
Commission
Components: APBC

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	Estimate of lottery revenue should be obtained from Department of Revenue
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS : (Attach a separate page if necessary)

No additional expenditures of any type are anticipated by the APBC as a result of this bill.

Prepared by: Charles M. Northrip
Division: Alaska Public Broadcasting Commission

Phone: 465-2846
Date: April 22, 1987

Approved by Commissioner: Garrey Peska
Agency: Department of Administration

Date: 4/27/87

Distribution (by preparer):

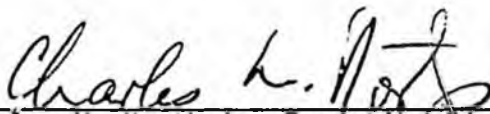
- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

POSITION PAPER
Bill #HB 236

This bill would establish an official Alaska State Lottery, to be operated by an Alaska State Lottery Corporation. The net proceeds of the lottery (after expenses and prizes) would be deposited in an arts and public broadcasting account within the State's general fund. The Alaska State Council on the Arts and the Alaska Public Broadcasting Commission would receive their appropriations, via the regular appropriations process, on an annual basis, from the lottery proceeds. The legislature would retain authority to make annual appropriations and would also maintain authority to fund other activities of State government from proceeds remaining in the lottery fund.

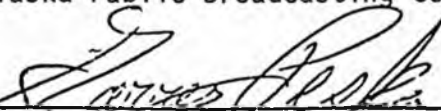
The major impacts of an official State lottery, insofar as State government is concerned, would be felt by the Department of Revenue, which would be required to administer the new lottery corporation. The problems associated with establishing and policing a State lottery are best left, therefore, to that department.

The impact on the Alaska Public Broadcasting Commission, currently housed in the Department of Administration, would be to change its source of State revenue from regular General Fund monies to a specific account in the General Fund.



Charles M. Northrip, Executive Director
Alaska Public Broadcasting Commission

4/27/87
Date



Commissioner Garrey Peska
Department of Administration

4/27/87
Date

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: HB 236

Publish Date: _____

REQUEST

Revision Date: _____

Agency Affected: Department of Revenue

Title: "Establishing a state lottery, creating the Ak State Lottery Corp. ..."

BRU: Public Services Operating

Sponsor: Boyer & Cato

Components: _____

Requestor: Labor

EXPENDITURES/REVENUES: (Thousands of Dollars)

<u>OPERATING</u>	<u>FY 87</u>	<u>FY 88</u>	<u>FY 89</u>	<u>FY 90</u>	<u>FY 91</u>	<u>FY 92</u>
PERSONAL SERVICES	0	169.8	-	-	-	-
TRAVEL	0	80.8	-	-	-	-
CONTRACTUAL	0	238.3	-	-	-	-
SUPPLIES	0	4.0	-	-	-	-
EQUIPMENT	0	71.6	-	-	-	-
LAND & STRUCTURES	0	0	-	-	-	-
GRANTS/CLAIMS	0	0	-	-	-	-
MISCELLANEOUS	0	0	-	-	-	-
<u>TOTAL OPERATING</u>	<u>0</u>	<u>564.5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

<u>CAPITAL</u>	<u>0</u>	<u>0</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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<u>REVENUE</u>	<u>0</u>	<u>0</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	564.5	-	-	-	-
FEDERAL FUNDS	0	0	-	-	-	-
OTHER	0	0	-	-	-	-
<u>TOTAL</u>	<u>0</u>	<u>564.5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

POSITIONS:

FULL-TIME	0	4	-	-	-	-
PART-TIME	0	0	-	-	-	-
TEMPORARY	0	0	-	-	-	-

ANALYSIS: See attached

Prepared by: Sally Smith *Sally Smith*
Division: Public Services

Phone: 465-2392
Date: April 24, 1987

Approved by: J. Malone *J. Malone*
Commissioner:
Agency: Revenue

Date: 4/30/87

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management & Budget
- Impacted Agency(ies)
- Senate Secretary

CONTINUATION OF FISCAL NOTE ANALYSIS

For Bill/Resolution HB 236

Assumptions:

This fiscal note assumes that:

- 1) there will be four staff members for pre-planning, research coordination and transition with the contractors and the board;
- 2) the staff will be located in Anchorage;
- 3) research for an analysis of in-state implications will be contracted;
- 4) moving expenses for the executive director will be paid;
- 5) FY89 figures will be determined by staff and the board;
- 6) the board will be appointed by September and will meet monthly during the development period to develop policies and hold public hearings.

PERSONAL SERVICES

The Executive Director will handle administrative implementation of regulations of the chapter and administration of the lottery corporation. A Research Analyst IV will coordinate the direction of the contracted research and gather data and information from other state lotteries. The Analyst/Programmer will review proposed computer software required for implementation. A contractor may be selected to implement the computer system and the operational end of a lottery. This option offers lower startup costs but does not provide a structure for state-selected expansion.

Personal services assumptions: The Administrative Assistant will be hired as a temporary beginning July 1 to provide research assistance and clerical back-up. The Research Analyst will be appointed by the board on a temporary basis beginning in September. The Executive Director will be appointed by January and will select the Analyst/Programmer.

1 Executive Director	6,662	6 mos.	39,972
1 Research Analyst IV	4,961	9 mos.	44,649
1 Administrative Assistant II	3,160	12 mos.	37,920
1 Analyst/Programmer IV	4,291	5 mos.	<u>21,455</u>
			\$143,996

Board compensation assumptions: The board will be compensated at \$150 per day for monthly meetings, which beginning in September will be two days each, plus one day travel time. Beginning in January, meetings will be combined with public hearings as policies develop and will be three days in length, plus one day travel time. Three meetings will be held in rural areas necessitating an additional day of travel time.

4 members	4 meetings, 3 days each, 150.00/day	7,200
	3 meetings, 4 days each, 150.00/day	7,200
	3 meetings, 5 days each, 150.00/day	<u>9,000</u>
		\$23,400

The board will also be traveling out of state for familiarization with other lottery operations. These trips will require four days of compensation.

4 members	4 days travel	\$ 2,400
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Total personal services \$169,796.

TRAVEL

In-state travel will be necessary for coordination of start-up of lottery, monthly board meetings during development period, and public hearings. Out-of-state travel is required for seminars and on-site training in lottery states.

In-state

Board meetings assumptions: The board will meet monthly beginning in September. These meetings will be combined with public hearings as policies are developed. The initial board meetings from September through December will be held in Anchorage. Public hearings will be held in conjunction with the meetings from January through June in Anchorage, Fairbanks, Juneau, Kotzebue, Bethel and Ketchikan. One board member will reside in Anchorage, one in Fairbanks, one in Ketchikan and one in Nome. The Commissioner of Revenue will reside in Juneau.

Monthly meetings held in Anchorage, September through December:

Air fare (coach)
4 members travel, 4 trips 5,808

Per diem, \$80 per day, 5 members
4 meetings, 2 days plus 1 day travel each 4,480

Meetings combined with public hearings, one in each city:

ANCHORAGE:

Air fare (coach), 4 members travel 1,452
Per diem, \$80 per day, 5 members
3 days meeting, 1 day travel 1,520

FAIRBANKS:

Air fare (coach), 4 members and director 1,898
Per diem, \$90 per day, 5 members, director
3 days meeting, 1 day travel 2,070
Car rental, \$50 per day, 3 days 150

JUNEAU:

Air fare (coach), 4 members and director 1,970
Per diem, \$80 per day, 4 members, director
3 days meeting, 1 day travel 1,600

KOTZEBUE:

Air fare (coach), 5 members and director 2,994
Per diem, \$90 per day, 5 members, director
3 days meeting, 2 days travel 2,700

BETHEL:

Air fare (coach), 5 members and director 3,127
Per diem, \$85 per day, 5 members, director
3 days meeting, 2 days travel 2,550

KETCHKAN:

Air fare (coach), 4 members and director	2,486
Per diem, \$80 per day, 5 members, director 3 days meeting, 2 days travel	2,240

In-state travel total \$ 37,045.

Out-of-state

Board and staff training assumptions: The board and all staff members will require familiarization with lottery operations in other states. Two board members and two staff members will travel to Salem, Or. Three board members and two staff members will travel to Olympia, Wa. Each trip will be for four days.

SALEM, OR:

Air fare (coach), for four to Portland	2,752
Car rental, to drive to Salem, \$53 per day for 4 days, plus mileage	272
Per diem, \$80 per day, for 4 days	1,280

OLYMPIA, WA:

Air fare (coach), for five to Seattle	3,250
Car rental to drive to Olympia \$54 per day for 4 days, plus mileage	276
Per diem, \$80 per day, for 4 days	<u>1,600</u>

Total board and staff training travel \$9,430

Executive director training assumptions: The executive director and research analyst will require additional training in other lottery states. Training will take place in Colorado, Montana, California, British Columbia, Illinois, and Massachusetts. Two states will be visited on each trip.

COLORADO, MONTANA:

Air fare(coach), for two	2,500
Per diem, \$80 per day, 7 days	1,120
Car rental, 5 days, \$54 per day	270

CALIFORNIA, BRITISH COLUMBIA:

Air fare (coach), for two	2,016
Per diem, \$80 per day, 7 days	1,120
Car rental, 5 days, \$55 per day	275

ILLINOIS, MASSACHUSETTS:

Air fare (coach), for two	2,756
Per diem, \$80 per day, 7 days	1,120
Car rental, 5 days, \$60 per day	<u>300</u>

Total additional staff training travel \$11,477

Director candidates assumptions: Three candidates will be traveling from Baltimore, Chicago and Sacramento for final interviews. The successful candidate will be moved to Anchorage at state expense.

Candidate travel:

Air fare (coach), for three	3,271
Per diem, \$90 per day, 4 days	<u>960</u>
	4,231

Moving expenses:

(assumption: 4 family members from Baltimore)

Household goods (10,000 lbs)	11,500
Air fare for 4 adults	2,912
Per diem for 21 days, \$50 per day, for 4	<u>4,200</u>
	18,612

Out-of-state travel total \$ 43,750.

TOTAL TRAVEL \$ 80,795.

CONTRACTUAL

The contractual figures include daily office expense items and the cost of a contracted analysis of demographic, social and marketing possibilities. All figures are based on a staff of four over a 12 month period.

Office communications:

Long distance: assuming 10 calls per day, 22 working days per month, at \$4.50 per call	11,880
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Local service: \$70 per month, for 12 months	<u>840</u>
Total office communications	12,720

Copy costs: includes equipment lease, . paper and toner	1,600
--	-------

Printing and mailing of proposed regulations: 10 pages, 2 sided, 30,000 copies	25,700
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Advertising of regulations and public hearings	20,000
--	--------

Word processing work station maintenance: \$600 per work station, 4 work stations	2,400
--	-------

Office space: Figures are based on space at Ensearch Plaza which houses the current DOR offices. This will allow a simplified link to the existing computer system already in use in the DOR Anchorage field office.

850 sq feet of space @ \$2.05 per sq. foot or \$1,742.	20,910
---	--------

Market research: These figures were derived from an estimate obtained in 1986. The Institute for Social and Economic Research would perform an indepth study of social impacts, potential markets, and a demographic analysis.

155,000

Total Contractual

\$238,330.

SUPPLIES

Office supplies are estimated at \$1.0 each for four staff.

Office Supplies

\$ 4,000.

EQUIPMENT

Office furniture and equipment costs are figured for four employees. A Wang V.S. 90 is currently in use in DOR offices, in Ensearch Plaza, in Anchorage.

4 Systems furniture(\$3,000 per unit)	12,000
4 Legal size file cabinets	1120
4 calculators	540
4 Wang 4230 work stations (\$2,070 each)	8,280

The existing V.S. 90 computer system in Anchorage is not capable of handling the increased memory/storage required to accommodate four new work stations. The following equipment is necessary for adding to the computer's capacity.

1 serial input-out-put processor	3,600
1 390 mega-byte disk drive	22,000
1 disk input-output processor	10,500
1 field upgrade of existing V.S. 90	12,000

Telephone system: Bell Pacific TIE 612 system with four extensions and two lines. This system has expansion capacity that will allow a total of twelve extensions and six lines.

Four extensions	1,506
Installation of two lines	<u>65</u>
Telephone system total	<u>\$1,571</u>

Total equipment

\$ 71,611.

Total Operating Budget

\$564,532.

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: HB 236

Publish Date: _____

REQUEST: _____

Revision Date: _____
Title: State Lottery, AK State Lottery Corp., Arts & Public Broadcasting Account
Sponsor: Boyer
Requestor: House Labor & Commerce

Agency Affected: Department of Revenue
BRU: Treasury

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker *MB*

Division: Treasury

Phone: 465-2350

Date: April 7, 1987

Approved by Commissioner: *[Signature]*

Agency: Department of Revenue

Date: 5/1/87

Distribution (by preparer):

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)
Senate Secretary

Position Title Executive Director			No. of Positions 1	Range/Step 26A	Barg. Unit X
Time Status PFT	Staff Months 6		Location EBA		Election District
Type of Expenditure			Amount		
1			2		
3					
Salary			31,254		
Benefits			8,718		
Premium Pay					
Other					
Total Personal Services			39,972		
Travel			32,777		
Contractual			600		
Commodities			1,000		
Equipment			17,903		
Other					
Total Cost			92,252		
Funding Source for Total Cost					
Federal Receipts			1002		
G.F. Match			1003		
General Funds			1004		
I-A Receipts			1005		
Program Receipts			1028		
CIP Receipts			1061		
Other					
Justification					
<p>The Executive Director will administer the activities of the lottery corporation and supervise its daily operations, attend monthly board meetings and act as the board's secretary. The executive director will act on advice and recommendations from the board and will, in turn, advise the board of corporate activities and provide statistical reports, information on the progress of the lottery as a revenue-generating enterprise and information on activities in other states. The Executive Director will hold press conferences to keep the public informed and supervise the Research Analyst IV, Analyst/Programmer IV and Administrative Assistant II.</p> <p>The Executive Director will also visit other states for training in their lottery operations. Travel may also include moving expenses from out of state.</p>					

REQUEST FOR
NEW POSITION

Agency Department of Revenue
BRU Public Services - Operating
Component _____

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Revised Date

FY 88

Position Title Research Analyst IV		No. of Positions 1	Range/Step 21A	Barg. Unit X
Time Status PFT	Staff Months 9	Location EBA		Election District
Type of Expenditure			Amount	
1	2	3		
Salary	34,479			
Benefits	10,170			
Premium Pay				
Other				
Total Personal Services		44,649		
Travel		7,169		
Contractual		600		
Commodities		1,000		
Equipment		17,903		
Other				
Total Cost		71,321		
Funding Source for Total Cost				
Federal Receipts	1002			
G.F. Match	1003			
General Funds	1004	71,321		
I-A Receipts	1005			
Program Receipts	1028			
CIP Receipts	1061			
Other				
Justification				
<p>This position will be responsible for coordinating the direction of the contracted market research, gathering various pertinent data and information from state lotteries in operation throughout the United States, and supervising the Administrative Assistant II.</p> <p>The Research Analyst IV will prepare recommendations for the Executive Director and the Board from gathered data pertaining to implementation of a lottery in Alaska.</p>				

REQUEST FOR
NEW POSITION

Agency Department of Revenue
 BRU Public Services - Operating
 Component _____

Page 1 of 1
 Revised Date _____

FY 88

Position Title Analyst Programmer IV		No. of Positions 1	Range/Step 19A	Barg. Unit X
Time Status PFT	Staff Months 5	Location EBA		Election District
Type of Expenditure			Amount	
1	2	3		
Salary	16,765		
Benefits	4,690		
Premium Pay			
Other			
Total Personal Services	21,455		
Travel		970		
Contractual		600		
Commodities		1,000		
Equipment		17,903		
Other				
Total Cost		41,928		
Funding Source for Total Cost				
Federal Receipts	1002			
G.F. Match	1003			
General Funds	1004	41,928		
I-A Receipts	1005			
Program Receipts	1028			
CIP Receipts	1061			
Other				
.....				

Justification

This position will review/plan data processing requirements for a state lottery. The Analyst Programmer will visit another state for familiarization with lottery operations.

REQUEST FOR
NEW POSITION

Agency Department of Revenue
BRU Public Services - Operating
Component _____

Page 1 of 1
Revised Date _____

FY 88

Position Title <u>Administrative Assistant II</u>		No. of Positions 1	Range/Step 14A	Barg. Unit X
Time Status PFT	Staff Months 12	Location EBA		Election District
Type of Expenditure			Amount	
1	2	3		
Salary	28,380		
Benefits	9,540			
Premium Pay				
Other				
Total Personal Services		37,920		
Travel		1,008		
Contractual		600		
Commodities		1,000		
Equipment		17,903		
Other				
Total Cost		58,431		
.....				
Funding Source for Total Cost				
Federal Receipts	1002			
G.F. Match	1003			
General Funds	1004	58,431		
I-A Receipts	1005			
Program Receipts	1028			
CIP Receipts	1061			
Other				
.....				

Justification

This position will provide research assistance to all staff and will provide for office management and clerical assistance.

The Administrative Assistant will be responsible for answering the phones, typing, handling the mail, and maintaining files in addition to preparing the budget documents.

The Administrative Assistant will also visit another state for familiarization with lottery operations.

REQUEST FOR
NEW POSITION

Agency Department of Revenue
 BRU Public Services - Operating
 Component _____

Page 1 of 1
 Revised Date _____

FY 88