

HB

299

STATE OF ALASKA
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY
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May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

HL+C	1-12-88	1:30 p.m.
HL+C	1-14-88	1:30 p.m.
HL+C	1-19-88	2:05 p.m.

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "An Act revising the state gaming laws."
Sponsor: _____
Requestor: Labor and Commerce

Agency Affected: Revenue
BRU: Income and Excise Audit Division
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
OPERATING						
PERSONAL SERVICES		203.4	203.4	203.4	203.4	203.4
TRAVEL		53.3	53.3	53.3	53.3	53.3
CONTRACTUAL		33.5	33.5	33.5	33.5	33.5
SUPPLIES		1.4	1.4	1.4	1.4	1.4
EQUIPMENT		10.5	-	-	-	-
LANDS & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		302.1	291.6	291.6	291.6	291.6
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		302.1	291.6	291.6	291.6	291.6
FEDERAL FUNDS		-	-	-	-	-
OTHER		-	-	-	-	-
TOTAL						

POSITIONS:

FULL-TIME		5	5	5	5	5
PART-TIME		-	-	-	-	-
TEMPORARY		-	-	-	-	-

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Steven E. Kettel *Steven E. Kettel*
Division: Income and Excise Audit Division

Phone: (907) 465-2320
Date: January 19, 1988

Approved by Commissioner: *[Signature]*
Agency: _____

Date: 1/19/88

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

CSHB 299 Analysis

Prepared By: Steven E. Kettel
Income and Excise Audit
January 18, 1987Personal Services

<u>Position</u>	<u>Location</u>	<u>Annual Salary/Benefits</u>
Investigator III	Juneau	\$50.7
Clerk Typist III	Juneau	\$26.4
Investigator III	Anchorage	\$50.7
Revenue Auditor III	Anchorage	\$50.7
Clerk Typist II	Anchorage	<u>\$24.9</u>
	TOTAL	\$203.4

Travel

Supervisory Travel	\$4.1
Investigative Travel	\$30.7
Regulation Travel	\$5.0
Training Travel	\$5.0
Public Education Travel	<u>\$8.5</u>
TOTAL	\$53.3

Contractual

Four Wang PC Terminals (\$3.5/ea)	\$14.0
New Forms, printing and typesetting	\$10.0
Regulations, printing and advertising	\$7.5
Communications	<u>\$2.0</u>
TOTAL	\$33.5

Supplies

Office Supplies	\$1.4
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Equipment

Five Chairs	\$2.5
Five File Cabinets	\$3.5
Modular Offices for Five Staff	<u>\$4.5</u>
TOTAL	\$10.5

FISCAL NOTE

REQUEST

Revision Date: 2/8/88 Agency Affected: Public Safety
Title: "An Act revising state gambling laws." BRU: Alaska State Troopers
Sponsor: Labor and Commerce Committee Components: Detachments and CIB
Requestor: House Judiciary

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY88	FY89	FY90	FY91	FY92	FY93
PERSONAL SERVICES		32.5	32.5	32.5	32.5	32.5
TRAVEL						
CONTRACTUAL		1.4	1.4	1.4	1.5	1.5
SUPPLIES		3.0	3.0	3.0	3.0	3.0
EQUIPMENT		12.2				
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		49.1	36.9	36.9	36.9	36.9

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUNDS		49.1	36.9	36.9	36.9	36.9
FEDERAL FUNDS						
OTHER						
TOTAL		49.1	36.9	36.9	36.9	36.9

POSITIONS:

FULL-TIME		1	1	1	1	1
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

This fiscal note assumes that background investigations in Section (4) of the bill will be done by the Department of Public Safety. (Continued on page 2)

Jmc
2/8/88

Prepared by: Francis C. Allan
Division: Alaska State Troopers

Phone: 269-5691
Date: 2/8/88

Approved by Commissioner: Arthur English
Agency: Public Safety

Date: 2/08/88

Distribution: (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

CONTINUATION OF FISCAL NOTE ANALYSIS
For Bill/Resolution No. CSHB 299 (L&C)

The Division of Alaska State Troopers anticipates being responsible for providing background checks on organizations and individuals who apply for gambling permits. It is expected that AST will receive from the applicants applications (with funds attached to send with a fingerprint card to the FBI). Assuming an estimate of 1,200 background checks per year, a full-time Clerk IV will be required, based upon our experience with Security Guard Licensing. Based upon the language in section 2 of the bill, it is assumed that program receipts from permit requests will be available for appropriation to the Department of Revenue, and are thus not anticipated to offset any costs to DPS. Background checks will involve APSIN/NLETS/AAFIS checks, processing of fingerprint cards to the FBI (3-4 months delay), and filing of permit application checks. A micro computer will be utilized to maintain data on applicants and to meet reporting requirements needed under this bill. Equipment purchases are not anticipated after the first year and no inflation factor is included in future years.

Personal Services

Clerk IV, Range 9, Step A, PFT	\$20,772	
Overtime - 120 hours	1,917	
	Subtotal 22,689	
Benefits	9,844	
Total Personal Services		\$32,533

Contractual

Maintenance on computer	400	
Telephone costs	1,000	
Total Contractual		1,400

Supplies

Forms (Applications, licenses)	2,000	
Office Supplies	750	
Miscellaneous	250	
Total Supplies		3,000

Equipment

Compaq computer, software, printer, etc.	9,000	
Desk	691	
Chair	345	
Computer table	300	
Side chair	184	
Filing cabinets (6)	1,338	
Storage cabinet	385	
Total equipment		12,243

Total		<u>\$49,176</u>
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Position Title Clerk IV		No. of Positions 1	Range/Step 9/A	Barg. Unit CGU
Time Status PFT	Staff Months 12.0	Location Anchorage		Election District 7-12
Type of Expenditure		Justification		
1	2	3		
Salary	20,772	<p>This position will be responsible for processing applications and recording all related data, including fingerprint checks, criminal history checks, to include APSIN/NLETS/AAFIS checks, as well as answering questions from the public and applicants. The position will be responsible for developing and implementing regulations relating to business. The Clerk IV must be able to fingerprint applicants. This position will need to have a general book-keeping knowledge in order to be able to handle the processing of application fees.</p>		
Benefits	9,844			
Premium Pay	1,917			
Other				
Total Personal Services	32.5			
Travel				
Contractual	1.4			
Commodities	3.0			
Equipment	12.2			
Other				
Total Cost	49.2			
Funding Source for Total Cost				
Federal Receipts	1002			
G.F. Match	1003			
General Fund	1004	49.2		
GF Program Receipts	1005			
Other				

REQUEST FOR
NEW POSITION

Agency Department of Public Safety
BRU Alaska State Troopers
Component Director's Office

FY 89

Page 3 of 3
Revised Date

FISCAL NOTE

REQUEST

Revision Date: 3/18/88 Agency Affected: Public Safety
Title: "An Act relating to games of chance..." BRU: Alaska State Troopers
Sponsor: Labor & Commerce Committee Components: Detachments & CIB
Requestor: House Judiciary

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		-0-	-0-	-0-	-0-	-0-
CAPITAL		-0-	-0-	-0-	-0-	-0-
REVENUE		-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUNDS						
FEDERAL FUNDS						
OTHER						
TOTAL		-0-	-0-	-0-	-0-	-0-

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

According to Mr. John Hansen, Office Audit Supervisor, Department of Revenue, that department will be responsible for conducting the background checks of permittees and licensees referred to in paragraph 5 of the bill, with only occasional assistance from the Department of Public Safety.

Prepared by: Gayle A. Horetski, Deputy Commissioner Phone: 465-4322
Division: Commissioner's Office Date: 3/18/88

Approved by Commissioner: *G. A. Horetski* Date: 3-18-88
Agency: Public Safety

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

BILL NO: 25 HB 299 (Orf)

DATE: May 4, 1987

TITLE: "An Act revising state gambling laws."

CONTACT: Maj. Walter J. Gilmour

DEPARTMENT OF PUBLIC SAFETY

To legalize certain types of gambling statewide and provide procedures for issuing permits, collecting fees and monitoring gambling activities.

This proposed legislation would legalize certain types of gambling statewide and provide procedures for obtaining permits, accessing and collecting fees, conducting background checks and criminal history checks on certain employees, and monitoring the activities of the industry. The only portion of this legislation which will affect the Department of Public Safety is the background investigations, criminal history checks and fingerprinting of applicants, which would require a full-time position of an additional clerical person (Clerk IV) to perform the above functions and maintain files on same.

The Department of Public Safety is neutral on this legislation.


ARTHUR ENGLISH
Commissioner

RECEIVED
MAY 11 1987
DEPARTMENT OF PUBLIC SAFETY

STATE OF ALASKA
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M

January 12, 1988

SUBJECT: Proposed clean-up amendments to HB 299
TO: Representative Dave Donley
FROM: George Utermohle, *GU*
Legislative Counsel

The following clean-up amendments to HB 299 are offered for your consideration.

Page 9, line 2 following "conducted", insert a comma.

Page 9, line 8-9, delete "Except as provided in AS 05.15.189, a", and insert "A".

The deleted material refers to a section included in early drafts of the bill, but dropped from the bill as introduced.

Page 10, line 28, following "20 percent" insert, "or more".

GU:bb
WKB1,036

A M E N D M E N T

Offered in the HOUSE

TO: HB 299

Page 17, line 20, following "awarded":

Insert "and state, federal, and municipal taxes paid or owed on the
income"

A M E N D M E N T

Offered in the HOUSE

TO: HB 299

Page 3, line 12, following "convicted of":

Insert: ", in prison for, or on parole for"

Page 3, line 13, following "years or":

Insert: "convicted"

Page 3, lines 13 - 14:

Delete: "moral turpitude"

Insert: "theft or dishonesty"

Page 10, line 12, following "convicted of":

Insert: ", in prison for, or on parole for"

Page 10, line 13, following "years or":

Insert: "convicted"

Page 10, line 13:

Delete: "moral turpitude"

Insert: "theft or dishonesty"

Page 10, line 16, following "convicted of":

Insert: ", in prison for, or on parole for"

Page 10, line 17, following "years or":

Insert: "convicted"

Page 10, line 17:

Delete: "moral turpitude"

Insert: "theft or dishonesty"

Page 10, line 20, following "convicted of":

Insert: ", in prison for, or on parole for"

Page 10, line 21, following "years or":

Insert: "convicted"

Page 10, line 21:

Delete: "moral turpitude"

Insert: "theft or dishonesty"

Page 11, line 11 following "convicted of":

Insert: ", in prison for, or on parole for"

Page 11, line 12, following "years or":

Insert: "convicted"

Page 11, line 12:

Delete: "moral turpitude"

Insert: "theft or dishonesty"

Page 11, line 20, following "convicted of":

Insert: ", in prison for, or on parole for"

Page 11, line 21, following "years or":

Insert: "convicted"

Page 11, lines 21 - 22:

Delete: "moral turpitude"

Insert: "theft or dishonesty"

December 11, 1987

M E M O R A N D U M

To: Rep. Dave Donley
From: Ginger Baim, Committee aide
Re: Brief for 12/11/87 hearing on
HB 299 - Charitable Gaming

- * Hearing in fifth floor conference room 1:30 to 5:00
- * Purpose: Take public testimony on HB 299 and markup bill in order to prepare a committee substitute for consideration early next session.
- * Teleconference from 1:30 to 3:30 with MatSu, Juneau, Fairbanks, Sitka, and Barrow.
- * Committee packet: New Sectional Analysis (your copy is highlighted to show areas of controversy or language that needs adjusted), copy of current and proposed regulations, analysis of regulations, copy of charitable gaming statute, copy of HB 299, copy of AG letters on pulltabs in bars and comingling of permits, copies of correspondence and public hearing notice.

PUBLIC HEARING ON HB 299

1. Open hearing (Day, Date, Time, Subject)
2. Members present
3. Tips for Testifying (in your file)
4. Introduction of teleconference sites
5. Brief statement about HB 299:

"HB 299 is a House Labor and Commerce Committee bill designed to more effieiently regulate charitable gaming in Alaska and to protect charitable organizations from fraud and corruption".

"Key elements of HB 299 are: stringent reporting and auditing requirements for operators, licensure and regulation of operators including requirements for bonding and insurance, raising the annual limits on gross sales, licensure of pulltab manufacturers and distributors, and establishing a clear audit trail for pulltab sales."

"HB 299 is widely supported by operators, consumers, and charitable gaming permit holders. It establishes strong regulation of the gaming industry and it will greatly enhance the opportunities for charitable organizations to raise money through gaming. At the same time, HB 299 will give the Department of Revenue the tools they need to clean up the abuses and protect the consumer".

HOUSE LABOR AND COMMERCE COMMITTEE

ALASKA STATE LEGISLATURE

P.O. BOX V, JUNEAU 99811

(907) 465-3892



November 20, 1987

Commissioner Hugh Malone
Department of Revenue
P.O. Box S
Juneau, Alaska 99811-0400

Dear Commissioner:

Attached is a point by point response to the proposed charitable gaming regulations issued by your Department on October 15. Before reviewing them, I'd like to lay some arguments on the table for discussion.

I believe it is unproductive for the Department to pursue adoption of these regulations at this time. The reason is three-fold.

First, the Department cannot seem to come to grips with the question of operators - and that is at the heart of the problem. The choice is to either ban operators altogether, or to recognize them under law in such a way that they are taxed, regulated, and held accountable for their own actions.

Instead, the proposed regulations give operators some legal recognition, but provide no mechanism for regulating them. This is a middle ground position that benefits no one.

Second, the main impact of the proposed regulations is to allow the Department to abrogate their responsibilities for regulation and enforcement and put the entire burden on the group least able to handle it - the charitable organizations. This is neither workable or fair.

A better solution, to my way of thinking, is to increase the oversight and enforcement responsibilities of the Department, and to pay for it with increased license fees.

Finally, as reflected in your notes, statutory change is required for any meaningful change to occur. The Legislature is currently considering HB 299, a comprehensive re-write of charitable gaming laws, that addresses each of the issues raised by the proposed regulations.

It makes sense for the Department to wait to implement the new regulations until after the Legislature has had a chance to work HB 299 through the legislative process.

I'm aware that this is a bind the Department has been put in for several years - we ask you to wait to impose new regulations until we've had a crack at it, you agree, then we fail to adopt a bill by the end of the session, and we are all back to space one.

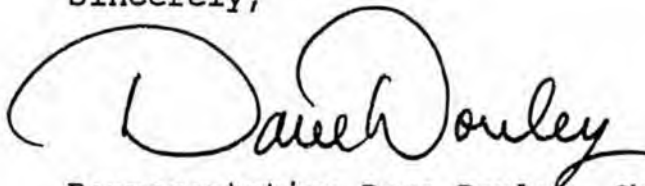
I have a suggestion to get us out of this rut. If the Department feels they must adopt new regulations regardless of what the Legislature may do, make those new regulations effective next year, after the Legislature adjourns.

That way, interested parties will know we have to make a sincere and concerted effort to adopt workable legislation next year. The benefits of playing a stalling game will be no more and both the Legislature and the Department can get on with the business of effectively regulating charitable gaming in Alaska.

In closing, let me reiterate that I don't believe the Department should pursue new regulations until after the Legislature has had the opportunity to adopt HB 299. If you choose to impose new regulations before that time, I urge you to consider the enclosed comments carefully, and to amend the proposed regulations accordingly.

In any case, I remain committed to working closely with the Department to assure that HB 299 becomes a measure we can all support and so that charitable organizations can continue to benefit from our gaming laws.

Sincerely,

A handwritten signature in cursive script that reads "Dave Donley". The signature is written in dark ink and is positioned above the typed name and title.

Representative Dave Donley, Chair
House Labor and Commerce Committee

cc: Senator Tim Kelly, Chair
Senate Labor and Commerce Committee

Sally Smith, Department of Revenue
Bob Evans, Governor's office
Mitch Gravo, Alaska Charitable Games Association

Comments on Proposed changes to Regulations
Governing Charitable Gaming in Alaska

By Representative Dave Donley, Chair
House Labor and Commerce Committee
November 20, 1987

Before embarking on a point by point analysis of the attached regulations, let me make some general comments.

The proposed regulations reflect a sincere attempt on the part of the Department to forge a workable solution on the question of "operators". While I feel the regs fall far short of effectively regulating operators, I appreciate the effort toward compromise.

The proposed regulations recognize operators - a step in the right direction - but leaves the entire paperwork burden, including policing the operator, on the permittee. This flies in the face of the fact that most charitable organizations engage an operator because they are not able to effectively run their own permit in the first place.

The reporting requirements proposed under these regulations are inadequate and unworkable. The prohibitions against co-mingling of funds and the requirement of separate bank accounts for each permit are simply unworkable in view of current practice and accepted accounting principles. Annual reports and other audit requirements are too few and far between to effectively regulate abuses in a timely manner.

Finally, the proposed regulations will not increase the amount of license fees, nor will it impose any fees on operators. As a result, the Department cannot generate enough income off charitable gaming licenses to pay for enforcement of the appropriate regulation or laws.

In short, the regulations will add a considerable paperwork burden on the permittee and propose rather drastic changes in standard operating procedures with little apparent benefit to the permittee or the state.

That said, let's take the proposed regulations a section at a time.

SECTIONS 010 THROUGH 105

Why it is necessary to require that the member-in-charge of a trade association's gaming permit must be a "natural person". Is there a particular reason for this? Why is it desirable to prohibit corporations from operating permits?

SECTION 107

The major problems with the proposed changes in this section is what isn't covered. By recognizing operators but not providing for any oversight of their practices by the Department, the entire burden of policing operators falls on the permittees, who are demonstrably unable to do so.

Section 107 does not require: timely and complete reports by the operators to either the Department or the permittees, bonding or liability insurance by the operators, any reporting provisions to assure that operators are paying proper wages, unemployment taxes, and are carrying required workers' compensation coverage.

Section 107 does not provide for an increase in license fees, so no funds are generated to pay for investigations and enforcement by the Department.

Section 107 requires that operators must adhere to appropriate rules and regulations and places the gaming permit at risk of loss if an operator or their employee breaks any of the rules. Under this section, a violation by an operator or their employee would cost an organization their permit, yet the operator would not be damaged in any way, nor would there be anything to prevent them from contracting with other organizations. In fact, other than word of mouth, there wouldn't be any way for an organization to know if an operator had already had problems.

Section 107 (a) - Again, why is it desirable to prohibit corporations from being operators?

Section 107 (e) - The prohibition about an operator paying a permittees expenses is unclear. Does this mean wages? Supplies? Rent and utilities? Perhaps this should be spelled out in the contract.

Section 110 (i) - In bingo parlors without video equipment, the requirement of leaving the balls in place for five minutes after the game would be difficult, if not impossible to meet. If a regular session consists of twenty games, it would require nearly an hour and a half of waiting time.

Section 110 (j) - What happens if a winning patron has no picture I.D.? What happens to the prize money? Some

operators use a permit only once a month. Under the proposed regulation, award of prizes can be delayed until the next time the permit is used. What happens to the prize money in the meantime?

Section 110 (l) - Can game tickets, bingo cards, pull-tabs, or other gaming items be awarded in addition to the prize? What does this section accomplish?

Section 110 (r) - I can understand why alcohol is not allowed in an area where bingo is being played but why is it allowed in an area where pull-tabs, raffle, and lottery tickets are being sold. Is there something about bingo we should know?

Section 115 (a) - The \$200,000 limit will be exceeded by many organizations. There should be some way of reporting an excess, with appropriate fines perhaps, but not with such onerous punishment that permittees avoid reporting an inadvertent excess.

Section 125 (c) - Good. This should have been done a long time ago.

Section 125 (e) - This section makes sense on the surface unless you have actually observed how pull-tabs are played, particularly at bingo halls. It is routine practice to turn winning pull-tabs (under \$10) in for more pull-tabs. This is usually done during a break between bingo games. Requiring each person (there may be over a 100 people playing tabs at one time) to go to the cashier and get two or three dollars cash, then go to another cashier to purchase pull-tabs, will obviously discourage players.

In addition, the section requires all pull-tab winners to be recorded on a form provided by the Department. All winners? Even one and two dollar winners? Logistically, how will a permittee accomplish this?

Regardless of what the intent of this section is, its effect will be to drastically reduce the number of pull-tabs purchased, especially during bingo sessions.

Section 125 (g) - This section apparently intends to improve accountability, but it won't work and isn't necessary.

Pull-tabs are an entirely predictable game. You know how many pull-tabs are in a box/series, you know how much the box/series cost the permittee, you know how much each tab sells for, and you know how many winners there are and the exact amount of cash prizes.

Assuming that the integrity of the series is not in question, accountability on the part of the operator to the permittee is easy to verify.

When pull-tabs are played in bingo parlors, there are usually numerous types/series available. Most series will not be played out in one evening, so a particular run will be played out under several permits. This section attempts to stop that practice so that one permittee doesn't pay a disproportionate part of the winning tickets out of a particular series.

However, proper accounting of pull-tabs should prevent such abuse, without having to maintain separate series/runs by permit.

This regulation presents another problem. If patrons are playing a particular series and the big winners haven't gone yet, how are they going to react when the operator takes the run off sale for days or weeks until the particular permit is being played again?

Section 155 (a)(4) - Why are these kinds of charitable gaming exempt from restrictions placed on other types of gaming?

Section 160 - If this section is repealed, how will it affect contests of skill such as archery, bowling, and pool tournaments?

Section 165 - (a) (10) - There are some legitimate questions about whether persons with a criminal record should be allowed to work with charitable gaming. Our Committee, when reviewing this question, expressed support for prohibiting anyone having been convicted of a felony from participating within five years of the time their sentence/parole is completed, and a permanent prohibition for persons convicted of gambling offenses. I'd suggest dropping the "crimes of moral turpitude" language because, even though everyone likes to use the phrase, no one knows exactly what it means.

Section 165 (b)(5) - Local operators tell us that the Municipality of Anchorage doesn't know what to do with an application when they receive one. Is there a particular reason for this section? Did any local government entity ask for this?

Section 170 (b) - Wonderful!

Section 180 (b) - What is the time frame for the Department renewing a permit once the annual report has been submitted? If the previous year's permit serves as a temporary permit from January 1 through January 31 and gaming activity has to cease if the annual statement isn't received by the Department by February 15, what authority is the permittee operating under from January 31 to February 15? What happens when the Department is late in sending the license renewal? I understand that in the past, some licenses were not received until March or later.

Section 190 (b) - This section is at the heart of the Department's ability to move swiftly to close down charitable gaming operations that are violating the law. The section is fairly severe, although probably necessary given the current situation.

However, the penalties authorized under this section are equally applied whether there has been a consistent, blatant, and serious violation of the law or where an inadvertent or easily remedied error has led to suspension.

The section does not provide any additional penalty or oversight when a particular permit is involved in more than one suspension.

Under Section 190 (b) the Department may suspend a permit for reporting errors or omissions. However, even if the reporting error was made by an operator, the charitable organization is held responsible and may lose their permit as a result.

Since operators are not licensed under the proposed regulations, the Department has no way to hold operators accountable for their own actions. There will be no license fees for operators and no additional income generated for enforcement efforts. As a result, the Department's ability to use the powers granted under this section will be greatly impaired.

Section 190 (b) (3) contains no provision to assure that, once the mandatory hearing is held within 30 days of suspension, the hearing officer will submit a report in a timely manner. Since the Commissioner cannot act, and the permit cannot be restored without a written report by the hearing officer, it is reasonable to require a report within a certain time frame.

Finally, the subsequent sections in the proposed regulations that set minimum net proceeds make no provisions to accommodate operations that may have been closed down for a period of time because of suspension. Once the permit is back in operation, assuming the conditions that led to suspension are corrected, there will most likely be a "slack" time until regular customers return on a regular basis. This will most likely impact the operators' ability to remit the required amount to the permittee.

Section 205 (a) - Why is this section necessary? Has there been a problem with the integrity of a given box/series of pull-tabs?

Section 205 - The proposed regulations governing pull-tabs are most striking by what they don't do. The regulations do not provide any mechanism to restrict or even identify in any way who can buy, transport and sell pull-tabs in Alaska. The regulations provide no mechanism for the Department (or anyone

else) to determine the number, type, and location of pull-tab sales.

Without this primary information, there is no way for the Department to subsequently track a series of pull-tabs in order to know if the person who bought and sold them did so legally, or whether a particular permit received fair reimbursement for pull-tabs sold under their license.

Section 210 (a) This section, while necessary to assure that the charitable organization has ultimate control over the bookkeeping, is going to be extremely difficult to enforce. As you know, the primary reason an organization engages an operator is because they lack the volunteers who have both the time and expertise to run a gaming operation, particularly bingo.

Given current practice and human nature, I suspect this regulation will result in much subterfuge and little change. An operator is a business person with extensive experience in the kind of financial reporting required by the Department. The "member in charge" will not have anywhere near the knowledge about the gaming business that the operator possesses, and it will be the operator, not the "member in charge" who has the financial information to make the reports.

Therefore, the most likely scenario is that the operator will keep and maintain the books, and the "member in charge" will simply rubber-stamp them. The proposed regulation will still place the "member in charge" at the "mercy" of the operator.

I suggest you look at an alternative - making the operator responsible for the bookkeeping and reporting requirements to the Department and for making regular reports to the permittee.

This will provide the permittee and the Department with a means to cross-check the financial reports. The permittee will remain responsible for policing the operator and for determining that the financial reports are fair, complete, and accurate. The organization will maintain control over the reporting, but will not be forced into collusion with the operator in preparing financial reports to the Department.

This section should provide a way for a permittee to request the Department to investigate or help them investigate when they suspect irregularities in the way their operator is conducting business. This will be hard to do as long as regulations require a permit to be suspended when the operator goes bad. It does not encourage permittees to effectively police their operators.

Section 220 - A twenty percent limit on net proceeds may be impossible to meet. The proposed regulations have no

provisions to cover "start up" costs, when net proceeds will be low. What action will the Department take against the permit if the annual report reveals that the minimum was not met?

An annual reporting requirement is not enough. Too much time will elapse and too much damage can be done before the Department will have the information to take any action. Quarterly reports would make more sense and could be easily handled with an appropriate computer program. In addition to quarterly and annual reports, the proposed regulations should include provisions for monthly or even weekly reports when the Department has reason to believe problems exist with a particular permittee or operator.

Section 225 (b) - This provision is certainly superior to current regulations, but there may be circumstances where operating expenses may exceed twenty five percent for short periods of time. What happens to the permit in such a case?

Section 225 (c) - What about pull-tabs being sold in bars? As you know, many bar owners are taking a certain percentage of the take as payment for selling the pull-tabs. Some call it "rent". What does the Department propose to do about this situation? What is reasonable rent? Wages? What happens to the permit when this section of the proposed regulations is violated?

Section 230 (a) - Does the requirement to provide a list of prize winners who received \$100 or more include pull-tab winners?

Section 240 (c) - Is it necessary to require that prizes of \$100 or more be paid by check in order to properly account for prize money? Section 230(a) requires that winners of \$100 or more must be listed on a form provided by the Department. Will there be information on the checks that is different from the information listed on the form? If not, what useful purpose does it serve to require payment by check?

Section 240 (d) - This section has substantial problems and will have a severe impact on the ability of operators to efficiently account for the finances of the permit organizations they work for.

What purpose does it serve to require permittees/operators to deposit all proceeds into separate bank accounts for each permit? Have you identified specific problems with this practice that cannot be corrected by improving the reporting procedures? It is common practice for businesses to deposit all their clients funds in a single business account. Why should operators be any different?

This section will present tremendous problems with workers' compensation and unemployment coverage for employees. The operator is required to carry such insurance on their employees. Under this section, however, it is unclear whether the workers are employees of the operator or the permit organizations. This section requires permit organizations to pay the wages of the operators employees. This is a mess! (Not to mention that it is probably in violation of IRS regulations).

Paragraph (d) assumes a profit on the part of a particular permit. Otherwise, how would a permittee be able to pay wages and expenses? What happens if the permittee fails to make a profit for a month or even two? Who pays the rent, wages and utilities then?

When you have an operator running a dozen permits a month, how do you pro-rate rent and utilities? Will the landlord of a bingo parlor receive a dozen checks from a dozen separate organizations each paying one twelfth of the rent? Our municipal utilities company is going to love this one.

It appears that the intent of this paragraph is to make sure that permittees, not operators, have ultimate control over the finances. That is certainly an admirable goal but there are better ways to accomplish it than what is proposed by these regulations.

Section 245 - Again, my major problem with the auditing requirements is that they will not be done in a timely manner. Under the proposed regulations, eighteen months could pass before a problem became apparent. Annual reports are not sufficient for the Department to move swiftly and to meaningfully enforce gaming statutes. Quarterly reports, at a minimum, should be required for large organizations or operators.

Section 245 (d) (1) requires that audits be done by a CPA. While I have no problem with this provision, I understand that rural residents have expressed strong opposition to requiring a CPA.

Section 270 (b) - What is a "particular occasion". Does that mean only one permit can be played in a single day? As you know, many bingo halls play two permits a day, afternoon and evening session. In addition, one permit may be used for bingo while another permit is being used for pull-tabs because a given permittee may have exceeded their limit for pull-tabs. Is it your intention to prohibit this practice?

* * * *

SECTIONAL ANALYSIS OF HB 299

Prepared by: Steven E. Kettel
Director, Income & Excise Audit
January 12, 1988

Section 1. ANNUAL PERMIT AND FEES.

① The Department recommends that the annual permit and fees listed in subparagraphs 1, 2 and 3 of this section be modified slightly to include a fee of \$20.00 for new applicants. In paragraph (b), if the intent of this section is to raise funds for the administration of the program we would recommend that the basis upon which the one and three percent be based on adjusted gross income, not on net proceeds. Levying a fee on net proceeds would raise little revenue as most operations currently are not reporting significant net proceeds.

②

③ Paragraph (c) requires the Department to secure information as to whether or not a permittee has outstanding debts to a pull-tab distributor. This section does not give us guidance as to what action the Department would take if in fact there were outstanding debts to that pull-tab distributor. We would suggest that since the relationship between the permittee and the distributor is one of supplier to customer, and that the Department of Revenue has no interest in that transaction. This section should be removed.

Section 2. MONEY DEPOSITED IN GENERAL FUND.

Paragraph (c). We would recommend that in place of 30 days in which to notify the Department of a change in address, a 10 day notice be inserted. Most permittees develop a plan prior to their moving and would know well in advance the date upon which they would be moving their facility.

Section 4. REGULATIONS.

⑤ This section gives the Department broad discretion for the establishment of rules governing gaming in the state. We are concerned about how very broad this discretion is, especially in the determination of expense items that may be deducted by a charity in determining the net proceeds to devote to non-profit making activities.

⑥ Subparagraph (3) needs a change adding after the word "licenses" the phrase "authorized under this chapter". It needs to be made clear that the Department will not be revoking the business licenses under Chapter 43, Section 70 but only those licenses that would be issued under the gaming statutes.

⑦ In subparagraph (6) of this section we are concerned about the difficulty the Department may have in policing the employees of the licensee. Operators come and go, they may have many employees that will work short periods of time, and it may be very difficult for us to insure that no

Section 7. REPORTS TO PERMITTEE AND PAYMENT OF NET PROCEEDS.

16

This section presents a major departure from current law which requires permittees to make payments for all expenses. Recognizing that operators are currently paying these expenses on behalf of the permittee, we support this departure. We do request, however, that along with this report being made available to permittees on a monthly basis that paragraph (a) give the permittee the express ability to request original invoice documents and deposit slips.

17

Paragraph (c) of this section requires the operator to file an annual report with each permittee by January 31. This would be the same date under current law, in which the permittee is required to file their annual report with the Department. We recommend that all of the reporting dates be reviewed in the bill to give ample time to both permittees and operators to file annual reports.

Section 8. GENERAL PROVISIONS RELATING TO THE FILING OF APPLICATIONS AND REPORTS AND PAYMENT OF FEES.

18

While we support the granting of extensions in paragraph (b), we are concerned that most large operations will take advantage of this extension and the Department will not be able to provide to the Legislature a meaningful gaming report as required in another section of the statute.

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We would also recommend that a paragraph (e) be inserted. This section would adopt penalty provisions for failure to timely pay on the application or annual report and would also provide a penalty for failure to timely file the monthly, quarterly or annual reports. As it now stands, there is little incentive to file timely reports with the Department.

Section 9.

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In paragraph (c) we recommend inserting the word "natural" before the word person on line 1. The Department recommends that all operators be individual persons as opposed to operating in corporate form.

Section 11. MEMBER IN CHARGE.

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We support the member in charge concept and recommend in paragraph (d) that it read "The municipality or qualified organization shall designate alternate members..."

Section 05.15.115. CONTRACTS BETWEEN PERMITTEES AND OPERATORS.

22

In paragraph (b) we recommend the last sentence add the phrase "and any other information the Department may require." In paragraph (d) we recommend that the permittee be responsible for submitting to the

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Department a copy of the contract and in the second sentence we recommend that the contract be sent to us 15 days before the activities are conducted or the contract is amended. This will give the Department ample opportunity to file its objections or make comments concerning provisions in the contracts.

Section 12. OPERATOR'S LICENSE.

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Paragraph (a) possibly needs a technical change in that we do not find AS 05.15.189 anywhere in this draft document or existing statutes. In paragraph (b) we recommend removal of subparagraph (3). We wish this eliminated because we want all operators to be natural persons. In paragraph (c) we recommend that line 10 eliminating the phrase "a person having a significant interest in the applicant". This phrase again refers to one who would have some sort of ownership interest in an operator as in the corporate form of ownership. Along those same lines we recommend paragraph (d) be eliminated.

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Section 05.15.128. REVOCATION OF OPERATOR'S LICENSE.

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Paragraph (a) (1), we do not understand what the definition of "profit" is to be. We believe that the term should be net proceeds.

Section 16. OPERATORS.

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Subparagraph (e), line 2, page 13 we recommend inserting after the word "shall" the phrase "upon request".

Section 18. PULL-TAB MANUFACTURER'S LICENSE.

29

In paragraph (c) we are concerned and question the rationale for requiring that pull-tabs be distributed only from a location in the state. Current practice has permittees buying from pull-tab distributors located both within and outside the state. This provision would probably create an extra level of administrative cost to the charitable organizations. We also support the concept that the distributor shall pay the 3% tax to the Department. This makes sense, in that the Department will collect the tax whether or not the pull-tabs are sold or distributed throughout the state.

Section 05.15.187. OPERATION OF PULL-TAB GAMES.

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In paragraph (b), we support raising the prize limit for pull-tab games to at least \$500,000.00 and would consider raising it beyond \$500,000.00. We do not understand why organizations that use operators should be limited to a maximum prize award of an amount less than those organizations that do not use operators. We recommend consistency in setting total prize limits. We recommend one other restriction not found in HB 299. That being the elimination of door prizes. Many small operations are unable to compete with the larger bingo halls in attracting players for their games because of the large amount of prizes being given away at the door. We would suggest that these door prizes either be severely curtailed to an amount not to exceed \$500.00 in value of merchandise to be given away in any one session or an annual limit be set. In no event should cash be given away as a door prize. We enthusiastically support paragraph (d) restricting pull-tab series from being sold at more than one location during the same day. Currently, there is a statewide lottery/pull-tab operation being run by a local Glennallen permittee. The tickets resemble

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in every characteristic a pull-tab with one exception. One of the tabs contains a chance at a \$100,000.00 grand prize drawing. These pull-tab/lottery tickets are being marketed throughout the state in many business establishments at one time. Paragraph (d) would prohibit such an operation from existing. The Department would support even stronger language to curtail this statewide pull-tab distribution. Concerning paragraph (g) we recommend raising the records maintenance for pull-tab winners from \$25 to \$50. This will lessen the records maintenance burden on the permittees.

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Section 21.

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In subparagraph (22) the definition of raffles and lotteries, we are looking for a better definition of the term lottery and raffle. We believe the two to be nearly synonymous. Also given the fact that we have one statewide lottery at this time using a pull-tab type ticket we feel that the definition should be a little bit more restrictive. In

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subparagraph (32) the definition of "operator", we would insert the word "natural" before the word person to make it clear that an operator cannot take any other form of ownership.

HOUSE BILL 299
Department of Revenue
Position Statement
January, 1988

Prepared by
Steven E. Kettel, Director
Income & Excise Audit Division

The Department of Revenue supports the many provisions contained within HB 299 which will update the present statutes and assist the Department in its efforts to ensure that charities remain the beneficiary of the proceeds from gaming activities in Alaska.

We support the following concepts in HB 299:

- 1) The requirement that pull-tab manufacturers must be licensed and file reports with the Department, and affix labels to each sealed series of pull-tabs.
- 2) The requirement that pull-tab distributors must be licensed and file reports with the Department, and pay a fee for each pull-tab series sold.
- 3) The requirement that operators be licensed and file reports with the Department and with the permittee.
- 4) The requirement that permittees utilizing the service of licensed operators must enter into formal, written contract.
- 5) The concept that operators must report a profit and pay a minimum percentage of the net proceeds to the permittee to retain their license.
- 6) The concept that operators may provide accounting and banking services for the permittee but the permittee will remain responsible for games conducted on their behalf through their member in charge.
- 7) Restricting operators and their employees by forbidding gaming activities from being conducted by convicted felons.
- 8) We support raising the annual prize award limit. Public testimony on our gaming regulations this fall overwhelmingly supported raising the limit to an amount even greater than that in this bill.
- 9) We support program receipts funding for enforcement activities conducted by this agency.

Attached to this position paper are additional comments and recommended technical changes we have for HB 299. In addition to the provisions and concepts addressed in this bill, we would like to suggest two additional provisions be considered.

- 1) A local charity is currently operating a statewide "lottery", selling a pull-tab like ticket through many different vendors. The tickets offer a chance at an instant payoff of from \$2 to \$50, or the opportunity to be entered in a grand prize drawing for \$100,000. This activity strains current regulations and statutes to the breaking point and goes beyond several time honored customs, i.e. lottery tickets are being sold outside the permittee's general locality and control, and pull-tabs are available in outlets frequented by minors. Section 17 of HB 299 at 05.15.185(d) appears to prohibit the sale of only pull-tabs at more than one location. The question remains, are these "lottery" tickets or are they pull-tabs? We request that the bill clearly state that all pull-tabs, whether used in the traditional manner or in a lottery style be prohibited from being sold in more than one location at a time.

- 2) Recently, pull-tabs have found their way into bars and lounges throughout the state. Responsibility for accounting of the gross receipts and net proceeds have been effectively transferred to the bar owner/tender. We recommend that pull-tabs only be sold on the permittee's premises under the control and supervision of the member-in-charge or the operator.

PROPOSED REGULATIONS GOVERNING CHARITABLE GAMING
Section Analysis
October 1987

The following is an explanation of how the proposed regulations differ from the regulations currently in place. This explanation is only a summary and does not detail all minor revisions. Those interested are encouraged to compare the proposed regulations to the current regulations and existing laws governing charitable gaming.

Sections 010 through 105, with two exceptions, have been repealed because they repeat definitions for qualified organizations which are in current law. The two exceptions are sections 050, which prohibits fraternal organizations from using gaming proceeds for self support and 105, which defines nonprofit trade associations. Although section 050 has been reworded for clarity, there is no change from the existing rules. An addition has been made to 105 clarifying that the membership may be calculated by counting the members of the member organizations. The member-in-charge of the trade association's games must be a natural person.

Section 107. Operators. This new section proposes that permittees choosing not to operate their own permit be required to contract with an operator, and submit a copy of that contract to the department within 30 days of its execution. Operators would be required to comply with the governing laws and regulations and could not serve as the permittee's member in charge, nor would they be able to pay for expenses of gaming activities under the permit. That responsibility would remain with the permittee. This section also prohibits employees of the permittee or operator from playing the games under that permit.

Section 110. Bingo Rules. This section revises some of the bingo rules of play and removes language that duplicates current law. No change is proposed for the number of allowed monthly sessions (9) or the number of games in a session (35), except that only one session may be played in a 24 hour period. Admission remains at \$1.

Before each game the caller would be required to announce the type of game, the requirements to win and the prize. Numbers called during play must be displayed clearly or be available at any time during play and for a five minute period at the close of the game.

Winners would be required to show a picture identification card to collect their winnings, and payouts may be held until the next session to verify the identification of the winners and the authenticity of the winning cards.

Prize and age limits remain the same to allow more organizations to use this activity for fund raising, and as with the current regulations, no alcoholic beverages are permitted in bingo halls.

No gaming items may be substituted for the cash or merchandise prize payouts, and as with current regulations, purchases of supplies, equipment and prizes as well as equipment or hall rental must be at current value or current retail or rental price.

Sections 115 through 125 revise raffles, lotteries and pull tabs to set up separate, clear rules of play primarily for pull tabs.

Section 115. Annual Prize Limit for Raffles, Lotteries, and Pull Tabs. The annual combined prize ceiling of \$200,000 for raffles, lotteries and pull tabs is retained to allow more nonprofits to participate.

New language expressly prohibits co-mingling of permits to raise the prize limit, a practice ruled not legal under current law this year by the attorney general's office.

Section 120. Raffle and Lottery Rules. All changes are additions to the current regulations. The permittee would be required to state on the tickets if the winner must be present at the drawing, and must award the prize as announced or serve notice of any change to ticket buyers and allow for a refund.

All tickets and money must be accounted for before the drawing is held.

Section 123. Special Draw Games. All changes are housekeeping. No games are changed.

Section 125. Pull Tab Rules. This section provides separate treatment for pull tabs. There is no change in the \$2 maximum charge, although a minimum age of 19 replaces the current open age. Sales are limited to one location at a time, but there is no restriction on where that location may be. Bars can participate. Prizes are limited to cash and must be recorded on a form provided by the department. Permittees may not comeingle or share pull tab supplies with other permittees. Pull tabs purchased under one permit may be played only under that permit.

Section 130. Kenai River Ice Classic. If both the Kenai and Soldotna Rotary Clubs compete for control of this classic, the application received first will be the permittee for that year.

Section 135. Monte Carlo Rules. No change is proposed for the current Monte Carlo regulations. Reporting requirements in current regulations under Section 235 have been moved to this section.

Section 140. Dog Musers' Contests. The language that is in the current law has been removed, and the language that is in current regulation is retained, so there is no change in these rules.

Section 150. Fish Derbies. This section is deleted under 150 and reappears in Section 155 with Classics.

Section 155. Classics and Derbies. Since the legislature has assigned all permitted classics and derbies to specific organizations in the law, the regulations have been rewritten to show the separation from other games of chance. Classics and Derbies, as currently required, would renew their permits and submit annual reports. They would also be required to send the state copies of their rules of play. This classification of games would be exempt from prize and expense ceilings, from the minimum profits outlined in other regulations, and from non-applicable provisions in the permit application process.

A disqualification provision is proposed should any organization in this section lose its current nonprofit status.

Section 160. Contests of Skill. This section is repealed, as it repeats provisions in current law.

Section 165. Application for Nonprofit Gaming Permit. Although the section number is new, the regulations were formerly in Section 170. Changes are additions to the application: naming the actual location of the gaming activity, the name and address of the operator (if any), and the inclusion of the operator and employees in the prohibition of involvement if there have been prior felony or gambling related convictions.

This section also lists items to be included with the application, all of which are currently required except evidence that a copy of the application has been submitted to the municipality as required by law.

Current regulations allow no refund if an application is denied. We propose dropping this language to allow for refunds.

Section 170. Issuance of Permits. This section picks up where 165 ended. As with current regulations, a permit is issued for the calendar year. Additions to current provisions are that the permittee must notify the department within ten days if there is any change to the information provided on the application, and that the commissioner will honor a municipal protest unless the protest is "arbitrary, capricious, or unreasonable."

Section 180. Renewal of Permits. This section requires that a current list of 25 members be included with each renewal. Permits will not be issued until the annual financial statement for the previous year has been received.

Provisions are added to allow use of the previous year's permit as a temporary permit until receipt of the annual financial statement or February 15, whichever comes first.

As with the initial application, the department proposes to allow fifteen days for municipal protest and will honor that protest with the same conditions.

Section 190. Suspension, Revocation and Denial of Permits. The 8 provisions in current regulations remain the same. This section adds that it is grounds for suspension, revocation or denial of a permit, if a permittee fails to notify the department of changes in information on the application within ten days of the change.

Procedures for suspension, revocation or denial are expanded to indicate if the commissioner is suspending a permit pending an investigation or hearing. If this is the case, the permittee is required to surrender the permit and stop all gaming. The hearing is to be conducted within thirty days unless the permittee requests an extension or waiver. The commissioner can stay the suspension based on a written decision of the hearing officer.

No change has been proposed for section 195 on the conduct of hearing.

Section 200. Investigation. Current regulations allow for investigations of all permit applicants. These proposed regulations clarify the procedure to provide for investigation at the discretion of the commissioner. The department and law enforcement officers are to have reasonable access to all gaming activities, and the permittee and/or operator are to cooperate and make available the records and materials. The department may issue notices of violation, serve subpoenas to witnesses for hearings, and "take other action necessary to assure compliance with, and enforcement of" gaming activities.

Section 205. Pull Tab Inspection. This added section is specific to pull tab inspections, allowing the commissioner to randomly examine a pull tab series. If no violation is found, the department will deduct its expenses and reimburse the permittee for the remainder. If a violation is found, all costs of the special inspection may be assessed to the permittee.

Section 210. Member-In-Charge. Permittees must currently name a member-in-charge to do the bookkeeping and be present at all gaming activities. This proposal still requires that a member-in-charge or the alternate be responsible for books and records, but either the member-in-charge or the operator must be at the activity. A member-in-charge must have been a member of the organization for at least one year prior to being named "member-in-charge" and cannot have a personal financial interest in the conduct of the activity.

Section 220. Minimum Net Proceeds. Current regulations have no minimum net requirements and define net as the total gross less prizes and allowable expenses. This section repeals those regulations and sets a minimum for net proceeds at 20% of the adjusted annual gross receipts. Adjusted annual gross is defined as the total gross less the total paid out in prizes. An 80% payout in prizes would mean the minimum net would be 4% of the total gross.

The listing of authorized and unauthorized expenses in current regulations is repealed in favor of achieving a minimum net. References to authorized and unauthorized expenses remain in the law and some have been included in the bingo rules of play. [See Section 110, (p) and (q).]

Section 225. Expense Limits. This section limits expenses other than prizes to 25% of the annual gross receipts. Rent, compensation, equipment and supplies may not be paid at a percentage of the gross or of the net proceeds. Trading the repeal of specifically authorized and unauthorized expenses for this ceiling on expenses should free permittees to tailor wages and activities to their particular needs.

Section 230. Annual Financial Statement. As with current law and regulation, the permittee is required to file an annual financial statement by January 31. The annual financial statement is to show all monies generated in the permit year and be accompanied by the statutorily required fee of 1% of the net. Replacing the currently required copy of the IRS 1099 form is the requirement of listing all prize winners of \$100 or more.

Section 235. Time for Filing Reports. This section was all Monte Carlo reporting. It has been relocated to Section 135.

Section 240. Method of Accounting. In addition to continuing the regulations of a separate bank account for gaming activities (as required by law), all prizes greater than \$100 must be paid by check. Permittees or operators must deposit all receipts, less cash prizes, into the gaming account, and all expenses must then be paid by check with two permittee signatures. Section 250, which has been repealed, is incorporated into this section and requires that records and documents be kept for three years.

Section 245. Required Audits. This new section requires the following schedule of audits by a CPA. Audits result are due to the department by July 1 or the permit may be suspended.

If Annual Gross Receipts are

Less than \$50,000

Between \$50,000 and \$200,000

Greater than \$200,000

No audit is required

A Biennial audit is required

An Annual audit is required

Section 250. (Incorporated as noted in section 240.)

Section 255. Payment of Prizes. This section requires that prizes of \$100 or more be paid by check. Winners must sign a check receipt form provided by the Department of Revenue.

Section 260. Disposition of Funds Upon Suspension or Revocation of Permit. There are no substantive changes. Any monies remaining in an account may only be used to pay accrued gaming expenses and with the rest going to the dedicated purposes.

Section 270. Display of Permit. This section clarifies that only one permit may be played on an occasion, and that the permit in play must clearly be identified.

Section 280. Use of Dedicated Net Proceeds. No changes have been made.

Section 290. Expenses. This section has been repealed as it repeats language in current law.

Section 300. Violations. This section sets suspensions at a minimum of thirty days, and provides that a violation of the law or its regulations subjects the permittee to possible denial, suspension or revocation of the permit.

4428A

NONPROFIT GAMING

ARTICLE 1. RULES FOR CERTAIN TYPES OF PERMITTEES
AND FOR OPERATORS.

Section

- 10. (Repealed)
- 15. (Repealed)
- 20. (Repealed)
- 30. (Repealed)
- 40. (Repealed)
- 50. Fraternal organization proceeds
- 60. (Repealed)
- 70. (Repealed)
- 80. (Repealed)
- 90. (Repealed)
- 95. (Repealed)
- 100. (Repealed)
- 105. Nonprofit trade association defined
- 107. Operators

ARTICLE 2. RULES FOR CERTAIN GAMING ACTIVITIES

- 110. Bingo rules
- 115. Annual prize limit for raffles, lotteries, and pull-tabs
- 120. Raffle and lottery rules
- 123. Special draw games
- 125. Pull-tab rules
- 130. Kenai River ice classic
- 135. Monte Carlo rules
- 140. Dog mushers' contest rules
- 150. (Repealed)
- 160. (Repealed)

ARTICLE 3. GENERAL RULES

- 165. Application for nonprofit gaming permit
- 170. Issuance of permits
- 180. Renewal of permits
- 190. Suspension, revocation and denial of permits
- 195. Hearings
- 200. Investigation
- 205. Pull-tab inspection
- 210. Member in charge
- 220. Minimum net proceeds
- 225. Expense limits

- 230. Annual financial statement
- 235. (Repealed)
- 240. Method of accounting
- 245. Required audits
- 250. (Repealed)
- 255. Payment of prizes
- 260. Disposition of funds after suspension
or revocation
- 270. Display of permit
- 280. Use of dedicated net proceeds
- 290. (Repealed)
- 300. Violations

ARTICLE 1. RULES FOR CERTAIN TYPES OF PERMITTEES
AND FOR OPERATORS

15 AAC 105.010 is repealed:

15 AAC 105.010. QUALIFIED ORGANIZATION. Repealed / / .

15 AAC 105.015 is repealed:

15 AAC 105.015. MUNICIPALITY. Repealed / / .

15 AAC 105.020 is repealed:

15 AAC 105.020. CIVIC OR SERVICE ORGANIZATION. Repealed
/ / .

15 AAC 105.030 is repealed:

15 AAC 105.030. RELIGIOUS ORGANIZATION. Repealed / / .

15 AAC 105.040 is repealed:

15 AAC 105.040. CHARITABLE ORGANIZATION. Repealed / / .

15 AAC 105.050 is repealed and readopted to read:

15 AAC 105.050. FRATERNAL ORGANIZATION PROCEEDS. Proceeds from charitable gaming conducted by a permittee fraternal organization may not be used to support the operations of the organization itself. (Eff. 9/7/60, Reg. 2; am / / , Reg.)

Authority: AS 05.15.060
AS 05.15.150

15 AAC 105.060 is repealed:

15 AAC 105.060. EDUCATIONAL ORGANIZATION. Repealed
/ / .

15 AAC 105.070 is repealed:

15 AAC 105.070. VETERANS' ORGANIZATION. Repealed / / .

15 AAC 105.080 is repealed:

15 AAC 105.080. POLICE OR FIRE DEPARTMENT AND COMPANY.
Repealed / / .

15 AAC 105.090 is repealed:

15 AAC 105.090. DOG MUSHERS' ASSOCIATION. Repealed
/ / .

15 AAC 105.095 is repealed:

15 AAC 105.095. OUTBOARD MOTOR ASSOCIATION. Repealed
/ / .

15 AAC 105.100 is repealed:

15 AAC 105.100. FISHING DERBY ASSOCIATIONS. Repealed
/ / .

15 AAC 105.105 is repealed and readopted to read:

15 AAC 105.105. NONPROFIT TRADE ASSOCIATIONS. "Non-profit trade association," as used in AS 05.15.210(19), means a qualified organization whose members are merchants, craftspersons, or business firms in a particular trade or industry organized in the state for the promotion of the common interests of that trade or industry. A non-profit trade association can satisfy the requirement of 15 AAC 105.165(b)(3) by listing its members and members of its members if necessary and appropriate. However, a member-in-charge of an activity conducted under a permit held by a nonprofit trade association must be a natural person. (Eff. 9/7/60, Reg. 2; am / / , Reg.)

Authority: AS 05.15.060
AS 05.15.130

15 AAC 105 is amended by adding a new section to read:

15 AAC 105.107. OPERATORS. (a) A permittee may contract with a consultant to operate gaming activities authorized by a permit. Such a consultant or "operator" must be a natural person, not a corporation. A copy of the complete executed contract between the permittee and the operator must be submitted by the permittee to the department within 30 days of its execution. The term of an operator contract may not exceed the term of the annual permit.

(b) An operator and employees of an operator are subject to AS 05.15 and this chapter just as are the permittee and its members and employees. The actions of an operator and employees of an operator are grounds for suspension or revocation of the

permit or permits involved.

(c) An operator may not be a "member in charge", as described in 15 AAC 105.210, of a gaming activity conducted under a permit. The operator, himself or herself, must be present during an activity conducted under a permit, unless a member in charge is present.

(d) No employee of a permittee or operator may participate in a gaming activity conducted under a permit.

(e) No operator may pay for a permittee's expenses incurred for gaming activities conducted under a permit. (Eff. / / , Reg.)

Authority: AS 05.15.060

ARTICLE 2. RULES FOR CERTAIN GAMING ACTIVITIES

15 AAC 105.110 is repealed and readopted to read:

15 AAC 105.110. BINGO RULES. (a) No permittee may conduct more than nine bingo sessions each calendar month nor more than one bingo session each day.

(b) A single bingo session or series of bingo games may not exceed 35 total games, including both regular and special games.

(c) No permittee may charge more than \$1.00 as admission to any bingo session or series of bingo games. The admission fee entitles the player to at least one card and allows the player to participate without additional charge in at least five regular games to be played on that occasion. No additional donation can be solicited or accepted as a condition of admittance.

(d) No permittee may charge more than 50 cents for a single opportunity to participate in any game other than the five games covered by the admission fee in subsection (c).

(e) A permittee shall allow each player to select his or her own cards from the deck, group, or series of cards. Cards cannot be reserved for players.

(f) The caller shall clearly announce the type of game, its winning requirements, and the prize offered before each game.

(g) Once a caller has started to call a number, the caller shall complete the call of that number. After the caller has started to call a number, if any player had bingo based upon the previous number called, that player shall share the announced prize with any other players who get bingo on the just completed call.

(h) If two or more players get bingo on the same completed call, each player shall share the announced prize equally.

(i) The numbers or symbols drawn from the receptacle during a call shall be displayed in plain view, and shall be available for inspection by the players. Absent the display of the drawn numbers or symbols on a television monitor simultaneously with the call, the drawn numbers or symbols shall be available for verification by any player at any time during the game and for a period of at least five minutes after each game has ended.

(j) A winner of a bingo game shall produce a picture identification card issued by the state or federal government. Payment of the announced prize to a winner may be postponed no longer than until the next bingo session conducted under the permit in order to verify the authenticity of the winning card and the identification of the winner.

(k) No single prize award in a single bingo game may exceed \$1,000, and the total prizes awarded during any one bingo session may not exceed \$5,000. A prize must be awarded as announced by the caller before the game.

(l) Only cash or merchandise may be awarded as a prize to the winner of a bingo game. No game tickets, bingo cards, pull-tabs, or other gaming items may be awarded as any part of a prize.

(m) No merchandise prize awarded in a bingo game may be converted into cash by the permittee conducting the game.

(n) When merchandise is awarded as a bingo prize, its value for reporting purposes is its current retail market value.

(o) A player must be at least 19 years of age to participate in bingo.

(p) A permittee may not purchase equipment, prizes, and supplies for bingo at prices higher than the current value or retail price.

(q) A permittee may not rent or lease bingo equipment or premises for payments higher than the current fair market rental of the equipment or premises.

(r) No game of bingo may be held, operated, or conducted in any room, enclosure, or outdoor area where alcoholic beverages are sold, served, or consumed during the bingo game. (Eff. 9/7/60, Reg. 2; am 11/6/76, Reg. 60; am / / , Reg.)

Authority: AS 05.15.060

15 AAC 105 is amended by adding a new section to read:

15 AAC 105.115. ANNUAL PRIZE LIMIT FOR RAFFLES, LOTTERIES, AND PULL-TABS. (a) A permittee may not award prizes for raffles, lotteries, and pull-tabs, the aggregate total value of which exceeds \$200,000 in a calendar year.

(b) A permittee may not conduct raffle, lottery, or pull-tab gaming activities jointly with another permittee in order to exceed the annual prize limit set in (a) of this section. (Eff. / / , Reg.)

Authority: AS 05.15.060

15 AAC 105.120 is repealed and readopted to read:

15 AAC 105.120. RAFFLE AND LOTTERY RULES. (a) If the rules of a raffle or lottery require winners be present at the time and place of the drawing in order to win, then all of the raffle or lottery tickets must include a clear statement of that requirement.

(b) All raffle and lottery tickets and stubs shall be serially numbered consecutively.

(c) The name of the permittee and the permit number must be printed on each raffle and lottery ticket and stub.

(d) All unsold tickets and stubs must be accounted for at the conclusion of each raffle or lottery.

(e) A permittee that conducts a raffle or lottery must conduct the activity and award the prize as announced or advertised. If the permittee decides to postpone or cancel the raffle or lottery, it must give reasonable notice and refund the purchase price of the raffle or lottery ticket to the purchaser upon demand. A violation of this rule is cause for the immediate suspension of the organization's gaming permit.

(f) A qualified organization that conducts a raffle or lottery must account for all tickets and money before the drawing is held. (Eff. 9/6/60, Reg. 2; am 11/6/76, Reg. 60; am 12/31/82, Reg. 84; am 2/25/84, Reg. 89; am / / , Reg.)

Authority: AS 05.15.060
AS 05.15.130
AS 05.15.210

15 AAC 105 is amended by adding a new section to read:

15 AAC 105.123. SPECIAL DRAW GAMES. (a) A special-draw game is a game of chance in which the winner is determined by means other than by an actual drawing. A permittee may conduct the following special-draw games:

(1) ring-toss: player tosses rings over soft drink bottles;

(2) penny pitch: player tosses penny into glassware or similar receptacle, if a penny remains in a receptacle, the player receives the receptacle as a prize;

(3) fish pond: player hooks a numbered fish and receives the prize with that number from a prominent display of all numbered prizes;

(4) duck pond: player selects a numbered floating duck and receives the prize with that number from a prominent display of all numbered prizes;

(5) string game: all prizes are on a shelf attached to a string; player selects a string and receives the prize attached to it;

(6) baseball-toss: player tosses baseball into a numbered receptacle and receives a prize with that number from a prominent display of all numbered prizes;

(7) dart game: player throws darts at targets with numbered slips of paper attached but hidden from the player; the total of the numbers attached to the targets hit determines the prize received by the player;

(8) dart wheel: each player places money on a board with eight numbered sections corresponding to eight sections on a wheel; one player throws a dart at the wheel while it is spinning to determine the winning number;

(9) grab bag: player pays to select a wrapped package;

(10) bean guess: player pays to guess the number of beans in a container; the player whose guess is the closest wins the prize;

(11) rodent game: player chooses a numbered exit hole in an enclosure into which a rodent is placed; winner is determined by the hole the rodent chooses.

(b) The charge for a single opportunity in a special draw game may not exceed 50 cents. (Eff. / / , Reg.)

Authority: AS 05.15.060

15 AAC 105 is amended by adding a new section to read:

15 AAC 105.125. PULL-TAB RULES. (a) Pull-tabs are a game of chance in which a paper device that contains concealed pre-printed sequences of symbols or numbers is purchased by the player. The symbols or numbers are revealed by pulling a paper tab or by rubbing a covered surface. Pre-posted prizes are won for certain combinations of symbols or numbers.

(b) The charge for a pull-tab may not exceed \$2.00.

(c) Pull-tabs sold under a particular permit may be sold at only one site at a time.

(d) No permittee may sell a pull-tab that was in any manner marked, defaced, tampered with, or otherwise placed in a condition that would deceive the public or that affects the chances of winning or losing.

(e) Pull-tab prizes shall be paid in cash or check only, not with additional pull-tabs, raffle or lottery tickets, bingo cards, or with any similar gaming material. All pull-tab prizes and winners shall be recorded on a form provided by the department at the time they are paid.

(f) A player must be at least 19 years of age to participate in pull-tab games.

(g) A pull-tab game conducted under a particular permit may not be switched to or mixed with a pull-tab game conducted under another permit. (Eff. / / , Reg.)

Authority: AS 05.15.060

15 AAC 105.130 is repealed and readopted to read:

15 AAC 105.130. KENAI RIVER ICE CLASSIC. If the department determines that a conflict exists between the Kenai Rotary Club and the Soldotna Rotary Club in the joint operation and administration of a Kenai River Ice Classic, then the organization whose application is received earliest will receive the permit to conduct the activity, if all other conditions of this chapter are satisfied. (Eff. 9/7/60, Reg. 2; am / / , Reg.)

Authority: AS 05.15.060
AS 05.15.210(13)

The heading of 15 AAC 105.135 is amended to read:

15 AAC 105.135. MONTE CARLO RULES [ACTIVITIES].

15 AAC 105.135 is amended by adding a subsection to read:

(d) A permittee authorized to conduct activities under AS 05.15.100(b) shall file with the department, within 30 days after the conclusion of each authorized activity, a completed interim financial statement. The statement must report the gross receipts from the activity, the net proceeds, the intended use of the net proceeds, and the persons who were actually responsible for the conduct or operation of the games. The commissioner will not issue a subsequent permit until the interim financial statement required by (a) of the section has been filed. (Eff. / / , Reg.)

Authority: AS 05.15.060

15 AAC 105.140 is repealed and readopted to read:

15 AAC 105.140. DOG MUSHERS' CONTESTS. A dog mushers' contest conducted by a permittee must be based on a race of dog team drawn sleds over a specified course laid out by the permittee, with prizes awarded according to rules announced before the race by the permittee. (Eff. 9/7/60, Reg. ; am / / , Reg.)

Authority: AS 05.15.060

15 AAC 105.150 is repealed:

15 AAC 105.150. FISH DERBIES. Repealed / / .

15 AAC 105 is amended by adding a new section to read:

15 AAC 105.155. CLASSICS AND DERBIES. (a) Permittees authorized by AS 05.15 to conduct classics or derbies shall

(1) apply for and renew annual permits as provided in 15 AAC 105.170 and 15 AAC 105.180;

(2) submit annual reports as required by AS 05.15.080;

(3) provide the department each year at the time of application or renewal with the current rules of the classic or derby;

(4) be exempt from the following provisions of this chapter:

(A) 15 AAC 105.115, on prize limits

(B) 15 AAC 105.220, on minimum net proceeds

(C) 15 AAC 105.225, on expense limits; and

(D) 15 AAC 105.270, on permit display.

(b) Permittees authorized by AS 05.15 to conduct classics or derbies shall immediately notify the department if they are disqualified by another governmental agency from continuing to conduct business in the state. Upon such disqualification, the organization's permit to conduct gaming activity will immediately terminate, and no further activity shall be conducted. (Eff. / / , Reg.)

Authority: AS 05.15.060

15 AAC 105.160 is repealed:

15 AAC 105.160. CONTESTS OF SKILL. Repealed. / / .

ARTICLE 3. GENERAL RULES

15 AAC 105 is amended by adding a new section to read:

15 AAC 105.165. APPLICATION FOR NONPROFIT GAMING PERMIT.

(a) A qualified organization as defined in AS 05.15.210(19) may apply to the department for a nonprofit gaming permit on a form provided by the department. The application must include

- (1) the name and mailing address of the organization;
- (2) the name, title, and daytime telephone numbers of the organization's officers;
- (3) unless the applicant is a municipality, the type of organization as listed in AS 05 15.210(19);
- (4) the types of gaming activities listed in AS 05.-15.100 that the organization proposes to conduct;
- (5) the specific purposes for which the entire net proceeds are to be devoted;
- (6) the estimated yearly gross receipts from each proposed gaming activity;
- (7) the name and address of the actual location where the gaming activity is to be conducted;
- (8) the name, address, and telephone number of the member in charge of each gaming activity and an alternate;
- (9) if the permit is to be operated by an individual,

municipality, or qualified organization on behalf of a permit holder, the application must include the name and address of the operator;

(10) a statement that no operator, member in charge, or employee of the applicant or of an operator has ever been convicted of any felony, any crime involving moral turpitude, or any gambling offense.

(b) An application submitted under (a) of this section must be accompanied by

(1) a copy of the organization's articles of incorporation, bylaws, and national or state charters, as applicable;

(2) evidence of non-profit status, such as a current Internal Revenue Service letter of tax exemption;

(3) a current list of at least 25 Alaskan members of the organization;

(4) the \$20 application fee required by AS 05.15.020;

(5) evidence that a copy of the application has been provided to the nearest municipality as required by AS 05.15.-030(a);

(6) for a permit to conduct Monte Carlo activities under AS 05.15.100(b) and 15 AAC 105.135, the written approval of a law enforcement agency with jurisdiction in the proposed gaming location.

(c) Applications will include a statement that falsification is cause for denial of a permit, criminal penalties for unsworn falsification, and immediate suspension of a permit if one is issued. (Eff. / / , Reg.)

Authority: AS 05.15.030
AS 05.15.060

15 AAC 105.170 is repealed and readopted to read:

15 AAC 105.170. ISSUANCE OF PERMITS. (a) Upon approval of the application by the department, a permit will be issued for that calendar year. Activities shall not be conducted until an annual permit has been issued. Gaming activity authorized by the permit may be conducted for the balance of the calendar year, unless the permit is suspended or revoked by the department.

(b) The applicant must notify the department in writing within 10 days after a change in the tax exempt status of the applicant, the name, address, or daytime telephone number of a

member in charge, alternate member in charge, or operator, or any other information in or accompanying an application.

(c) The department will not issue a permit until at least 15 days after an application is received to allow time for a municipal protest under AS 05.15.030(a). The department will refuse to issue a protested permit unless the commissioner determines the protest is arbitrary, capricious, or unreasonable. (Eff. 9/7.60, Reg. 2; am 11/6/76, Reg. 60; am 2/25/84, Reg. 89; am / / , Reg.)

Authority: AS 05.15.020 AS 05.15.060
AS 05.15.030 AS 05.15.100
AS 05.15.040 AS 05.15.130

15 AAC 105.180 is repealed and readopted to read:

15 AAC 105.180. RENEWAL OF PERMITS. (a) A permit may be renewed by filing a new application as described in 15 AAC 105.-165. However, the renewal application need not be accompanied by the documents required by 15 AAC 105.165(b)(1) and (2) unless there has been a change during the past year.

(b) A permit will not be renewed until the permittee has filed the annual financial statement required by AS 05.15.080 for the previous year. The previous year's permit will serve as a temporary permit during the period from January 1 through January 31. If the department has not received the annual financial statement by February 15, the temporary gaming permit will automatically terminate and no further gaming activity may be conducted.

(c) The department will not renew a permit until at least 15 days after an application is received to allow time for a municipal protest under AS 05.15.030(a). The department will refuse to renew a protested permit unless the commissioner determines the protest is arbitrary, capricious, or unreasonable. (Eff. 9/7.60, Reg. 2; am 11/6/76, Reg. 60; am / / , Reg.)

Authority: AS 05.15.020
AS 05.15.060

15 AAC 105.190(a) is amended by adding a new paragraph and 190(b) is amended to read:

15 AAC 105.190. SUSPENSION, REVOCATION, OR DENIAL OF PERMITS; HEARINGS. (a) The following are grounds for the suspension, revocation, or denial of a permit:

. . . .

(9) failure to notify the department in writing of a

change in any information in or accompanying an application for issuance or renewal of a permit within 10 days as required by 15 AAC 105.170(b).

(b) The department will notify the permittee or permit applicant by certified mail of any action to suspend, revoke, or deny a permit. The notice will include a statement of the grounds for the suspension, revocation, or denial, and the legal authority for the action. The notice will specify whether the commissioner is exercising his power under AS 05.15.170 to immediately suspend a permit pending investigation or hearing. If the commissioner exercises this power

(1) the permittee shall immediately surrender the permit itself and cease all activities under it;

(2) unless the hearing officer grants a request by the permittee for an extension or a waiver of hearing, a hearing must be commenced within 30 days after the immediate suspension; and

(3) the immediate suspension will continue unless it is stayed by the commissioner based on a written decision of the hearing officer. (Eff. 9/7/60, Reg. 2; am 11/6/76, Reg. 60; am 9/17/86, Reg. 99; am / / , Reg.)

Authority: AS 05.15.060
AS 05.15.140
AS 05.15.170

[[[15 AAC 105.195. CONDUCT OF HEARINGS. NO CHANGE PROPOSED.]]]

15 AAC 105.200 is repealed and readopted to read:

15 AAC 105.200. INVESTIGATION. (a) Applicants and permittees are subject to investigation, in the commissioner's discretion.

(b) A permittee and its employees or operator must allow the department and law enforcement officers entry upon the premises where gaming activity is conducted at all reasonable times and in a reasonable manner for the purpose of investigating and enforcing AS 05.15 and this chapter.

(c) A permittee and its employees shall do all things reasonably necessary and appropriate to cooperate with the department and law enforcement officers, including permitting inspection of gaming equipment and business records.

(d) The department will, in its discretion:

(1) conduct inspections of premises where gaming

activity is conducted and operated, and inspect the books, records, and gaming supplies of the qualified organization and its employees;

(2) issue notices of violation under 15 AAC 105.-190(b);

(3) require the production of books, records, invoices, receipts, and supplies necessary to complete an investigation;

(4) serve subpoenae issued by a hearing officer to secure the attendance of witnesses at adjudicative hearings; and

(5) take other action necessary to assure compliance with, and enforcement of, AS 05.15 and this chapter. (Eff. 9/7/60, Reg. 2; am / / , Reg.)

Authority: AS 05.15.060

15 AAC 105 is amended by adding a new section to read:

15 AAC 105.205. PULL-TAB INSPECTION. (a) In addition to inspections under 15 AAC 105.200, the department will, in the commissioner's discretion, select any pull-tab series, whether held by a permittee or an operator, and examine the quality and integrity of the pull-tab series in any manner, including punching out or pulling all chances remaining thereon.

(b) If no violation is discovered, then the qualified organization will be reimbursed by the department for the cost of the pull-tab series, less the department's expenses, and the series shall become the property of the department.

(c) If a violation is discovered, then the series shall become the property of the department and all fees to cover the cost of the pull-tab special inspection services will, in the commissioner's discretion, be assessed against the qualified organization. (Eff. / / , Reg.)

Authority: AS 05.15.060

15 AAC 105.210 is repealed and readopted to read:

15 AAC 105.210. MEMBER-IN-CHARGE. (a) The member-in-charge, or the alternate named on the permit application as required by 15 AAC.105.165(a)(8), is responsible for maintaining all records required under AS 05.15 and this chapter. The member-in-charge or the alternate must be present during an activity conducted under a permit, unless the activity is conducted

by an operator under 15 AAC 105.107 and the operator is present.

(b) The member-in-charge and alternate must be an active bona fide members of the permittee for not less than one year.

(c) The member-in-charge and alternate shall not have a personal financial interest in the conduct or operation of the gaming activity.

(d) Violation of this section is grounds for immediate suspension of a permit under AS 05.15.170. (Eff. 9/7/60, Reg. 2; am 11/6/76, Reg. 60; am / / , Reg.)

Authority: AS 05.15.060
AS 05.15.150

15 AAC 105.220 is amended to read:

15 AAC 105.220. MINIMUM NET PROCEEDS. (a) ["NET PROCEEDS" MEANS THE GROSS INCOME FROM THE SALE OF TICKETS OR RIGHTS (INCLUDING ADVANCE SALES) TO PARTICIPATE IN AN AUTHORIZED ACTIVITY, LESS THE COST OF PRIZES AND AUTHORIZED EXPENSES AS DEFINED IN (b) OF THIS SECTION.] The annual net proceeds of a permittee from all gaming activities may not be less than 20 percent of the adjusted annual gross receipts from the activities.

(b) In (a) of this section, "adjusted annual gross receipts" means total annual gross receipts less the total annual prizes paid. (Eff. 9/7/60, Reg. 2; am 11/6/76, Reg. 60; am / / , Reg.)

Authority: AS 05.15.060
AS 05.15.150

15 AAC 105 is amended by a new section to read:

15 AAC 105.225. EXPENSE LIMITS. (a) Expenses incurred for conducting activities under a permit must be reasonably necessary and must be for reasonable amounts in relation to market value.

(b) Expenses other than prizes shall not exceed 25 percent of a permittee's annual gross receipts from gaming activities.

(c) A permittee may not pay rent based, even in part, on a percentage of the gross receipts or net proceeds of gaming activity.

(d) A permittee may not pay compensation to an operator or to a person taking part in the management or operation of gaming activity based, even in part, upon a percentage of the gross receipts or net proceeds of the gaming activity. "Management or

operation of a gaming operation" includes providing gaming equipment and supplies to the activity. (Eff. / / , Reg.)

Authority: AS 05.15.060

15 AAC 105.230 is repealed and readopted to read:

15 AAC 105.230. ANNUAL FINANCIAL STATEMENT. (a) An annual financial statement accounting for all money generated from gaming activity under a permit for the year must be filed by a permittee before January 31 following the end of the year of the activity. The statement must be on a form provided by the department. A permittee shall attach to the financial statement a list of all prize winners who received a prize of \$100 or more on a form provided by the department.

(b) The fee of one percent of the net proceeds generated from gaming activity required by AS 05.15.020 must be paid at the time of filing the annual financial statement. (Eff. 9/7/60, Reg. 2; am 11/6/76, Reg. 60; am / / , Reg.)

Authority: AS 05.15.060
AS 05.15.080
AS 05.15.130

15 AAC 105.235 is repealed:

15 AAC 105.235. TIME FOR FILING REPORTS. Repealed / / .

15 AAC 105.240 is repealed and readopted to read:

15 AAC 105.240. METHOD OF ACCOUNTING. (a) A permittee shall maintain and keep books and records necessary to substantiate the particulars of each annual financial statement. The books and records shall be compiled and maintained according to generally accepted accounting principles.

(b) All money collected or received from gaming activity shall be deposited in a separate bank account. Gaming money shall not be comingled with the permittee's general account funds. Each check drawn on the gaming account must bear two authorized signatures of the organization.

(c) All prizes of \$100 or more and all expenses for gaming activity shall be paid for by check only, and the check may not be drawn to "cash" or to an intermediate payee.

(d) A permittee, or its operator if any, shall deposit all receipts from a given occasion or activity into the qualified

organization's separate bank account, less cash prizes awarded. The qualified organization shall then pay its expenses, including wages and fees for operations, supplies, equipment, and rent, by check and according to the provisions of this section.

(e) All records and supporting documents pertaining to gaming activity must be maintained for at least three years after the close of the calendar year. (Eff. 9/7/60, Reg. 2; am 11/6/76, Reg. 60; am / / , Reg.)

Authority: AS 05.15.060
AS 05.15.130

15 AAC 105 is amended by adding a new section to read:

15 AAC 105.245. REQUIRED AUDITS. (a) If a permittee's annual gross receipts from gaming activities exceed \$200,000 in any calendar year, the permittee must have a complete audit of its income from and expenses for gaming activities for that year.

(b) If a permittee's annual gross receipts from gaming activities exceed \$50,000 in either of two consecutive calendar years, the permittee shall have a complete audit of its financial records for that year with highest gross receipts. A permittee whose annual gross receipts from gaming activities are consistently between \$50,000 and \$200,000 is not required to have an audit under this subsection more often than every other year.

(c) A permittee whose annual gross receipts from gaming activities do not exceed \$50,000 for two consecutive years is not required to have an audit until its annual gross receipts from gaming activities exceed \$50,000.

(d) Audits required by this section

(1) must be done by a certified public accountant authorized to practice in Alaska under AS 08.04;

(2) must be submitted to the department no later than July 1 of the year after the audit year; and

(3) are an expense under 15 AAC 105.225(a).

(e) Permits will be immediately suspended under AS 05.15.-170 for failure to comply with this section.

(f) The first audits required by this section, from permittees whose gross receipts in 1987 exceed \$200,000, must be submitted to the department by July 1, 1988. (Eff. / / , Reg.)

Authority: AS 05.15.060

15 AAC 105.250 is repealed:

15 AAC 105.250. MAINTENANCE OF RECORDS. Repealed / / .

15 AAC 105 is amended by adding a new section to read:

15 AAC 105.255. PAYMENT OF PRIZES. (a) Permittees shall pay all prizes of \$100 or more by check payable to the winner after the winner completes a prize receipt form provided by the department.

(b) Permittees shall also comply with 15 AAC 105.110(j) concerning payment of bingo prizes and 15 AAC 105.125(d) concerning payment of pull-tab prizes. (Eff. / / , Reg.)

Authority:

15 AAC 105.260 is repealed and readopted to read:

15 AAC 105.260. DISPOSITION OF FUNDS UPON SUSPENSION OR REVOCATION OF PERMIT. (a) Upon suspension of any permit, no money may be withdrawn from the separate bank account required by 15 AAC 105.240(b) except for authorized expenses accrued prior to the suspension, or for disposition to their dedicated purpose as prescribed on the permit application.

(b) Upon revocation or invalidation of a gaming permit, the legitimate authorized expenses previously accrued by the organization may be paid and all remaining money in the separate account must be paid over to the dedicated purposes stated in the permit application. (Eff. 9/7/60, Reg. 2; am / / , Reg.)

Authority: AS 05.15.060

15 AAC 105.270 is repealed and readopted to read:

15 AAC 105.270. DISPLAY OF PERMIT. (a) Each permit issued for the conduct of any activity shall be displayed conspicuously at the place where the activity is conducted.

(b) If more than one permittee conducts its gaming activity at the same location, then the organization whose permit is being operated on each specific occasion must be clearly identified. Only one permit may be operated on a particular occasion. (Eff. 9/7/60, Reg. 2; am / / , Reg.)

Authority:

[[[15 AAC 105.280. USE OF DEDICATED NET PROCEEDS. NO CHANGE PROPOSED AT THIS TIME.]]]

15 AAC 105.290 is repealed:

15 AAC 105.290. EXPENSES. Repealed / / .

15 AAC 105.300 is repealed and readopted to read:

15 AAC 105.300. VIOLATIONS. (a) A violation of any provision of AS 05.15 or this chapter by a permittee or its operator is cause for denial, suspension, or revocation of a gaming permit, including the immediate suspension of a permit under AS 05.-15.170.

(b) A suspension of a gaming permit shall be for not less than 30 days. (Eff. 9/7/60, Reg. 2; am 11/6/76, Reg. 60; am / / , Reg.)

Authority: AS 05.15.040
AS 05.15.060

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M

April 13, 1987

SUBJECT: Section-by-section analysis of W.O. 5-0947A
relating to games of chance and contests of
skill

TO: Representative Dave Donley

FROM: George Utermohle *GU*
Legislative Counsel

The following is the section-by-section analysis of Work
Order 5-0947A that you requested.

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

Section 1. Section 1 of the bill amends AS 04.11.370 by
adding a new paragraph to the effect that a license issued
by the Alcoholic Beverage Control Board may be suspended or
revoked if a licensee or an employee of a licensee violates
a provision of AS 05.15 while on the licensed premises.

Section 2. Section 2 of the bill repeals and reenacts AS
05.15.020.

The annual permit fee for a municipality or qualified orga-
nization is set at \$20 if the municipality or qualified
organization had gross receipts of less than \$20,000 from
games of chance and contests of skill during the prior year.
The permit fee is \$50 for a municipality or qualified orga-
nization that grossed between \$20,000 and \$100,000 during
the prior year. The permit fee is \$100 for a municipality
or qualified organization that grossed more than \$100,000
during the prior year.

In addition to the permit fee a municipality or qualified
organization that has gross receipts of \$20,000 to \$100,000
shall pay a fee of one percent of its net proceeds to the
department. A municipality or qualified organization that

has gross receipts exceeding \$100,000 shall pay a fee of 2% of the net proceeds to the department.

Section 3. Section 3 of the bill repeals and reenacts AS 05.15.030.

A qualified organization shall notify the municipality where it will conduct games of chance or contests of skill of the location of the activity, and the type of activity to be conducted.

Local governmental approval is required before a qualified organization may conduct bingo games, pull-tab games, and special-draw games.

A local government may protest the issuance of a permit to conduct a game of chance or a contest of skill other than bingo games, pull-tab games, or special-draw games. A local government may protest the renewal of a permit to conduct any game of chance or contest of skill, including bingo games, pull-tab games, and special-draw games.

The department may consider the protest of the local government in deciding whether to issue or renew a permit.

If a permittee changes the location of an activity the permittee shall notify the department and the local government within 30 days after the change.

A permittee may conduct activities in an additional jurisdiction if the permittee applies to the department and the department approves.

The department may limit the locations in which a permittee may conduct games of chance or contests of skill.

If a qualified organization applies to conduct an activity more than five miles from a municipality, the department may issue the permit under procedures established by the department.

Section 4. Section 4 of the bill amends AS 05.15.060 to provide for the issuance of various licenses under AS 05.15 and to limit disqualifications for a license or permit based on convictions for a felony to felonies involving theft.

Section 5. Section 5 of the bill amends AS 05.15.070 in order to allow the commissioner of revenue to examine the

books and records of operators, manufacturers of pull-tabs, and distributors of pull-tabs.

Section 6. Section 6 of the bill repeals and reenacts AS 05.15.080.

A municipality or qualified organization that has gross receipts of \$20,000 during a calendar quarter shall file a report with the department.

A municipality or qualified organization shall file an annual report with the department as well as any additional fee due to the department under AS 05.15.020(b).

Section 7. Section 7 of the bill adds new sections to AS 05.15.

Sec. 05.15.083 establishes the duty of operators to report to the department.

An operator shall file a monthly report with the department.

An operator shall file a quarterly report with the department. The quarterly report shall contain information included in the employer's quarterly federal tax return (IRS Form 941) and in the employer contribution and wage reports to the Department of Labor that are prepared by the operator.

An operator shall file an annual report with the department. The annual report shall contain information included in the employer's wage and tax statements (IRS Form W-2) for each employee and in the miscellaneous income reports for each employee (IRS Form 1099). The annual report shall be accompanied by any fee due under AS 05.15.020(b).

Sec. 05.15.087 establishes the duty of an operator to report to an authorizing permittee.

An operator shall report monthly to each authorizing permittee for whom the operator conducts a game of chance or contest of skill. The operator shall pay each authorizing permittee the net proceeds for the month at the same time as the operator makes the monthly report.

An operator shall provide a quarterly report summarizing the activities during the prior calendar quarter for each authorizing permittee.

An operator shall provide an annual report summarizing the activities during the prior calendar year for each authorizing permittee. The annual report shall be accompanied by a certification by the operator that the operator has paid fees due under AS 05.15.020(b).

Section 8. Section 8 of the bill amends AS 05.15 by adding a new section AS 05.15.095.

Applications and reports to the department shall be signed under penalty of perjury by the representative of a permittee or licensee.

The department may extend the deadline for a report due to the department by 30 days for a reasonable cause. The department may not extend the payment date for a fee due to the department.

A municipality or qualified organization may not conduct an activity while a report or fee is delinquent.

A delinquent fee accrues interest at the rate of 12 percent per year.

Section 9. Section 9 of the bill amends AS 05.15.100(a) to provide for the operation of pull-tab games by municipalities and qualified organizations.

Section 10. Section 10 of the bill amends AS 05.15.100 by adding a new subsection to provide for the issuance of licenses to operators who conduct games of chance and contests of skill on the behalf of municipalities and qualified organizations.

Section 11. Section 11 of the bill amends AS 05.15 by adding new sections.

Sec. 05.15.112 requires each municipality and qualified organization to designate a member in charge.

The member in charge is responsible for all records and reports required of a municipality or qualified organization. The member in charge shall be a bona fide member of the qualified organization or an employee of the municipality. The member in charge may not have a financial interest in the games of chance or contests of skill conducted by the municipality or qualified organization or in the operation

of a licensed operator. The member in charge shall be present at each activity conducted under the authority of a permit issued to the member's organization.

The member in charge shall monitor the performance of operators engaged by the member's organization.

Alternate members in charge may also be appointed.

Sec. 05.15.115 establishes requirements for contracts between municipalities and qualified organizations and operators.

The contract between a municipality or a qualified organization and an operator shall include the amount and form of compensation paid to the operator, the term of the contract, the activities to be conducted on the behalf of the permittee, the location where activities are to be conducted, and the name and address of the member in charge.

The permittee may not contract for more than one operator to conduct the same activity on the same day. The different activities are listed.

An operator shall submit copies of contracts, and amendments to contracts, to the department 72 hours before conducting activities under the contract or amendment.

Section 12. Section 12 amends AS 05.15 by adding new sections.

Sec. 05.15.125 establishes requirements for an operator's license.

The department may not issue an operator's license to an applicant, if the applicant, a person owning a significant interest in the applicant, or a managerial or supervisory employee of the applicant has been convicted of a felony involving theft, a crime involving moral turpitude, or a violation of a municipal, state, or federal gambling law.

A person may not hold a significant interest in a licensed operator if the person has been convicted of a felony involving theft, a crime involving moral turpitude, or a violation of municipal, state, or federal gambling law.

An operator may not employ a person in a managerial or supervisory capacity if the person has been convicted of a

felony involving theft, a crime involving moral turpitude, or a violation of a municipal, state, or federal gambling law.

Sec. 05.15.128 requires the department to revoke an operator's permit if the operator does not report a net profit of 15 percent or more during two consecutive quarters based on the total operation of the operator. The operator may appeal the revocation but an audit by the department is conclusive.

The department may suspend or revoke an operator's license for a violation of AS 05.15.

Section 13. Section 13 of the bill amends AS 05.15.160 relating to expenses that may be deducted from gross receipts.

Section 14. Section 14 of the bill adds a new subsection to AS 05.15.160 to provide that expenses may not exceed a reasonable percentage of the permittee's gross receipts. The department determines by regulation what is a reasonable percentage of the gross receipts.

Section 15. Section 15 of the bill amends AS 05.15 by adding new sections.

Sec. 05.15.163 sets the minimum amount of net proceeds at 15 percent of annual gross receipts.

Sec. 05.15.165 establishes the duty of an operator. An operator shall pay net proceeds to the authorizing permittee by check. The operator is required to obtain a receipt from the authorizing permittee. The authorizing is required to retain a copy of the receipt for its records.

The books and records of the operator are available for inspection by the authorizing permittee. The department may enforce the right of the authorizing permittee to inspect the books and records.

The operator may not incur unauthorized expenses or expenses in excess of the amount that is determined to be reasonable by the department. The department may order the operator to refund to the authorizing permittee, plus interest at 1.5% per month, any amount withheld as an unauthorized expense, or an unreasonable expense, or amount in excess of 85 percent of gross receipts.

Advertisements for events conducted by an operator shall contain the name of both the operator and the authorizing permittee. The operator shall post a copy of the operator's license and the permit of the authorizing permittee at the location of each activity conducted by the operator.

The operator shall pay employees of the operator a reasonable wage.

The operator shall obtain liability insurance for each location where the operator conducts games of chance and contests of skill. The operator shall provide proof of insurance to the department and inform the department of changes in or cancellation of insurance. If the operator's liability insurance is cancelled, the operator may not conduct games of chance or contests of skill until subsequent insurance is obtained.

The operator shall have its financial records reviewed by a certified public accountant each year. The operator shall submit the results of the review to the department by February 28.

The operator may not charge losses due to bad checks or uncollectable debts against the net proceeds due to the authorizing permittee, operate under the authority of more than one permit at one location within a 24 hour period, conduct more than one type of activity at a single location within a 24 hour period, extend credit to players, employ house players, or allow employees to play a game conducted by the operator on the same day that the employee works for the operator.

Sec. 05.15.167 establishes the requirement that an operator post a bond or security payable to the department and that the bond is first applied against fees, interest, and penalties due to the department. The operator shall inform the department if the bond is cancelled or the security is impaired.

Section 16. Section 16 of the bill amends AS 05.15.180(b) to include bingo games and pull-tab games within the list of activities that may be conducted in a form and manner different from the way the activities were conducted before January 1, 1959.

Section 17. Section 17 of the bill amends AS 05.15 by adding new sections.

Sec. 05.15.181 establishes the requirement for a pull-tab manufacturer.

A person may not manufacture pull-tabs without a license issued by the department.

Each series of pull-tabs manufactured in the state shall bear a serial number.

A pull-tab manufacturer may distribute pull-tabs to only licensed pull-tab distributors.

A pull-tab manufacturer shall report monthly to the department on each series of pull-tabs sold.

Sec. 05.15.183 establishes the requirement for a pull-tab distributor's license.

A person may not distribute pull-tabs without a license issued by the department.

Pull-tabs may be distributed only from a location in the state.

A pull-tab distributor shall report each month on the pull-tab games distributed.

A pull-tab distributor shall pay each month a tax of three percent of the retail value of each pull-tab series sold.

The department may suspend or revoke a pull-tab distributor's license if the licensee does not comply with this section.

Sec. 05.15.185 establishes requirements for the distribution of pull-tab games.

Sec. 05.15.187 establishes requirements for the operation of pull-tab games.

A municipality or qualified organization may operate pull-tab games. Pull-tabs may be obtained only from licensed pull-tab distributors.

A municipality or qualified municipality that sells pull-tabs without the assistance of a licensed operator may sell up to \$500,000 in pull-tabs each year. The

municipality or qualified organization may sell more than \$500,000 in pull-tabs in a year if it pays a fee of one percent of the retail value of pull tabs sold above the \$500,000 level. The sale of pull-tabs in an establishment licensed by the Alcoholic Beverage Control Board is not considered the same as the sale of pull-tabs with the assistance of an operator.

A municipality or qualified organization may not sell more than \$300,000 in pull-tabs if it utilizes an operator to conduct the pull-tab games on its behalf.

Pull-tabs from different series may not be sold at the same location on the same day.

A pull-tab series may not be sold at more than one location on the same day.

A pull-tab series may not be withdrawn from sale until all pull-tabs in the series are sold.

Each municipality, qualified organization, or operator that conducts a pull-tab game shall maintain records of each person who wins a prize of \$25 or more and shall report each month to the department on pull-tab sales.

Sec. 05.15.189 establishes the requirements for the sale of pull-tabs in establishments licensed by the Alcoholic Beverage Control Board.

An operator's license is not required for a licensed establishment to sell pull-tabs.

Pull-tabs may be sold from only one series of pull-tabs each day and under the authority on only one permit each day.

The municipality or qualified organization under whose permits pull-tabs are sold shall purchase the pull-tabs from a licensed distributor and deliver them to the licensed establishment. The municipality or qualified organization shall be paid its share of the net proceeds at the time that it delivers the pull-tabs to the licensed establishment. The municipality or qualified organization shall receive at least 50 percent of the net proceeds from the sale of pull-tabs.

The licensed establishment shall maintain records of prize winners and shall provide this information to the municipality or qualified organization each month.

Section 18. Section 18 of the bill repeals and reenacts AS 05.15.200(b) to provide that a person is guilty of perjury if the person signs a declaration that the facts in a document filed under AS 05.15 is true under penalty of perjury while knowing that the facts are not true.

Section 19. Section 19 of the bill repeals and reenacts the definition of the "net proceeds".

Section 20. Section 20 of the bill amends the definition of "political organization" to include a candidate or group registered with the Alaska Public Offices Commission and candidates or nominees for President or Vice President of the United States or candidates for the United States Congress.

Section 21. Section 21 of the bill amends the definition of "qualified organization" to require that the organization be in existence for only three years rather than five years before the organization can qualify to conduct games of chance or contests of skill.

Section 22. Section 22 of the bill amends the definition of "raffle and lottery" to exclude pull-tab games.

Section 23. Section 23 of the bill defines "authorizing permittee", "commissioner", "department", "distribute", "operator", "pull-tab game", "series", and "significant interest".

Section 24. Section 24 of the bill amends AS 29.45.650(f) to provide that a borough may not levy a sales tax on the sale of tickets, chances, bingo cards, or pull-tabs in an activity licensed under AS 05.15.

Section 25. Section 25 of the bill makes a technical amendment of AS 29.45.650 in order to conform with Section 24.

Section 26. Section 26 of the bill amends AS 29.45.700(a) to provide that a city may not levy a sales tax on the sale of tickets, chances, bingo cards, or pull-tabs in an activity licensed under AS 05.15.

STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

P.O. BOX K—STATE CAPITOL
JUNEAU, ALASKA 99811-0300
PHONE: (907) 465-3600

November 6, 1987

Hon. Dave Donley, Chair
House Labor and Commerce Committee
311 "C" Street, Suite 450
Anchorage, Alaska 99503

RECEIVED

NOV 10 1987

Re: Pull-tabs in bars
Our File: 663-87-0531

Dear Representative Donley:

Your aide, Ginger Baim, asked me last week, when I stopped at your Anchorage office, to confirm in writing my oral response last May to your May 4, 1987, request for our opinion on the legality under current law of selling pull-tabs on premises where alcohol is served by the drink (i.e., in bars). This letter is confirmation that, in our opinion, selling pull-tabs in bars is legal under current law, but only if the pull-tabs are sold by a charitable gaming permittee under AS 05.15 and 15 AAC 105.

There is no specific prohibition against selling pull-tabs in bars as there is against the conduct of bingo games in bars (15 AAC 105.110(12)). Such a prohibition was included in the regulation amendments proposed by the Department of Revenue last fall, but has been eliminated from the revised amendments this fall. However, as suggested in your May, 1987 memorandum, a charitable gaming permittee selling pull-tabs in a bar must comply with all of the provisions of AS 05.15 and 15 AAC 105. These include the limitations of AS 05.15.150 and 05.15.160 and 15 AAC 105.260, .280, and .290 on the use of proceeds and on authorized expenses. Also applicable, of course, is the requirement of 15 AAC 105.210 that a member (of the permittee organization in charge) or a designated alternate member be present during the conduct of a gaming activity conducted under a permit. If a permittee violates or allows someone else to violate these provisions on its behalf, the permit would be subject to immediate suspension under AS 05.15.170 and the liquor license involved would also be placed in jeopardy under AS 04.11.370(8). So, for example, if a permittee allows a bar owner or employee, who is not the designated member in charge of its pull-tab sales, to sell pull-tabs in violation of 15 AAC 105.210, or if the permittee allows anyone selling pull-tabs to keep a percentage of the sale receipts in violation of AS 05.15.160(c), both the

Hon. Dave Donley, Chair
House Labor and Commerce Committee
File no. 663-87-0531

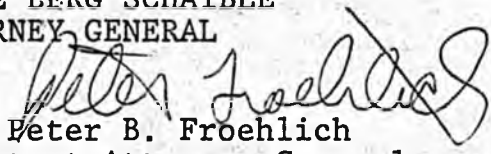
November 6, 1987
Page 2

charitable gaming permit and the liquor license are placed at risk.

I hope this belated written response to your inquiry is helpful. Please let me know if you have any further questions. I will look forward to working with you and the department to revise HB 299, concerning AS 05.15, during the upcoming session.

Sincerely,

GRACE BERG SCHAIBLE
ATTORNEY GENERAL

By: 
Peter B. Froehlich
Assistant Attorney General

PBF:cb

cc: Hugh Malone, Commissioner
Sally Smith, Director
Division of Public Services
Department of Revenue

MEMORANDUM

State of Alaska

TO: Sally Smith, Director
Div. of Public Services
Dept. of Revenue

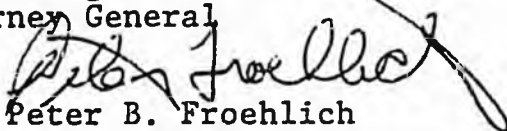
DATE: May 7, 1987

FILE NO.:

THRU: TELEPHONE NO.: 465-3600

SUBJECT: Multiple permit
lotteries

FROM: Grace Berg Schaible
Attorney General

By: 
Peter B. Froehlich
Assistant Attorney General

You have asked me to confirm in writing my recent oral advice to you concerning the illegality of proposals by several charitable gaming permittees to combine their permits and jointly conduct large scale lotteries awarding prizes exceeding the \$200,000 annual prize limit set by 15 AAC 109.120. I have also discussed this question with Mike Landa of Alaska Ticket Brokers and Bob Kern of the Resource Center for Parents and Children and the Alaska Non-Profit Lottery, all in Fairbanks, and with Ed Flanagan in Representative Boyer's office.

The proposals in question would result in lotteries that would exceed the \$200,000 annual prize limit set by 14 AAC 105.120(4). The argument has been advanced that, if a number of charitable gaming permittees join together to cooperatively conduct the lottery, they could aggregate their respective \$200,000 annual prize limits. In other words, if 10 permittees joined to conduct one lottery, that lottery could award \$2,000,000 in prizes. This rationalization is not acceptable, because it does not fit within the clear meaning and apparent intent of AS 05.15 and 15 AAC 05.

The starting point for analysis of any question about what sort of gambling is permitted under our statutes in regulations is that gambling in Alaska, in general, is a crime under AS 11.66.200 -- 280. However, a narrow exception has been made for certain limited forms of charitable gaming, including lotteries, conducted by qualified organizations holding permits issued by the commissioner of revenue under AS 05.15.100. The permits grant a privilege rather than a right (AS 05.15.110) and permittees must comply with regulations adopted by the commissioner under AS 05.15.060 and 130. Unfortunately, both AS 05.15 and the regulations so far adopted under it (15 AAC 105) are badly in need of updating and revision, but attempts in this direction have not yet been successful.

15 AAC 105.120 is the only current regulation that deals specifically with the conduct of lotteries. Ten other regulations (15 AAC 105.210 -- .290), and three statutes

Sally Smith, Director
Division of Public Services
Department of Revenue

May 7, 1987
Page 2

(AS 05.15.080, 150, and 160) apply to the conduct, accounting, and reporting of all types of charitable gaming activities conducted by permittees. In addition to the \$200,000 annual prize limit in 15 AAC 105.120(4), the only other pertinent parts of that regulation are paragraphs (6) and (7) which provide as follows:

(6) All raffle or lottery tickets and stubs shall be serially numbered consecutively, and the permit number as shown on the permit issued by the Commissioner of Revenue shall be imprinted on each ticket stub.

(7) Any and all tickets issued in any raffle or lottery must be accounted for to the permittee organization at the conclusion of each raffle or lottery. (Emphasis added)

The underlined language together with the similar singular language of AS 05.15 emphasize that the narrow exception authorizing limited charitable gaming is only for individual permittee organizations to conduct certain relatively small scale activities, including lotteries, themselves.

If a lottery awarding over \$200,000 is to be legally conducted in Alaska, regardless of how many permittees are involved, our laws must first be changed. In the absence of legislation, the commissioner of revenue could raise the prize limit itself or perhaps even adopt a regulation specifically authorizing and setting rules for the conduct of cooperative or aggregate lotteries and other gaming activities.

Under existing statutes and regulations, though, no lotteries conducted by AS 05.15 permittees can exceed the \$200,000 annual prize limit set by 15 AAC 105.120(4), likewise, all such lotteries must comply with the ticket marking and accounting requirements on 15 AAC.120(6) and (7), as well as the more broadly applicable requirements of 15 AAC 105.210 -- 290 like the presence of a member in charge requirement of 15 AAC 105.210 and the authorized expense limitations of 15 AAC 105.220 and AS 05.15.160.

Please let me know if we can provide further assistance.

PBF:nb

cc: Representative Dave Donley
Representative Mark Boyer
Mike Landa
Bob Kern

ALASKA CHARITABLE GAMES ASSOCIATION

(907) 243-7003 (Anchorage area)
 1-800-478-7003 (In-state toll free)
 1-800-544-2246 (Out-of-Alaska toll free)

A Trade Association
 to protect and promote
 Alaska's gaming industry

390' Arkansas Drive Anchorage, AK 99517

MEMBERSHIP LIST (Page 1)

<u>REC#</u>	<u>CITY</u>	<u>NAME</u>	<u>DISTRICT</u>
8534	Fairbanks	Kila, Inc.	2
8535	Anch	St. Vincent de Paul	3
8536	Nome	Nome Kennel Club	6
8537	Anch	Alaska Health Project	3
8538	Kodiak	Kodiak American Legion #17	4
8539	Ketchikan	Ketchikan VFW Post #4352	1
8542	Kenai	Peninsula Oilers	4
8543	Kenai	Kenai Eagles Auxiliary Aerie #3525	4
8544	Savoonga	City of Savoonga	86
8547	Anch	Alaska Sport Fishing Assoc.	3
8548	Barrow	Pt. Barrow Lions	7
8549	Fairbanks	Alaska Crippled Children & Adults	2
8550	Ketchikan	Ketchikan Eagles Aerie #162	1
8551	Homer	Kachemak Bay Lions Club	4
8552	Bethel	Assoc. of Village Council Pres.	5
8553	Hyder	Hyder Community Association	1
8555	Fairbanks	Greater Fairbanks Chamber of Commerce	2
8559	Anch	AFL-CIO	3
8560	Anch	Spenard Lions	3
8561	Anch	Akeela House	3
8562	Anch	ARCA	3
8563	Anch	Mt. McKinley Lions	3
8564	Anch	Holy Family Cathedral	3
8565	Anch	Painters Local #1140	3
8566	Anch	Painters Apprentice & Training	3
8567	Anch	Alpine Alternative	3
8568	Anch	Alaska Dance Theater	3
8569	Anch	Miss Alaska Pageant	3
8570	Anch	Captain Cook JayCees	3
8571	Anch	Work Preservation Trust	3
8572	Anch	Barrier Free	3
8573	Arctic Vill.	Arctic Village Council	7
8574	Kenai	Kenai Eagles Aerie #3525	4
8577	Palmer	Mat-Su Miners Baseball	3
8578	Anch	Alaska Democratic Party	3
8579	Anch	Anchorage BUCS Baseball	3
8580	Homer	Homer American Legion Post#16 Auxiliary	4
8581	Ft. Wainwri	Cheechako Lions Service	2
8582	Anch	Anchorage Sports Assn.	3
8583	Bethel	Friends of KYUK (Bethel Broadcasting, Inc.)	5
8584	Ketchikan	Alaska Indoor Sports	1
8585	Bethel	Bethel VFW Post #10041	5

42 Total Members

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3904 Arkansas Drive Anchorage, AK 99517

MEMBERSHIP LIST (Page 2)

<u>REC#</u>	<u>CITY</u>	<u>NAME</u>	<u>DISTRICT</u>
8586	Fairbanks	Fairbanks Amatuer Hockey Assn.	2
8587	Juneau	Juneau VFW Post #5559	1
8588	Anch	UAA Alumni Assn.	3
8589	Nome	Nome Volunteer Fire Dept.	6
8590	Anch	Muscular Dystrophy Assn.	3
8591	Teller	Teller Traditional Bingo	6
8592	Haines	Haines American Legion Post #12	1
8593	Anch	Knights of Columbus Council #4859	3
8594	Wasilla	Wasilla American Legion Post #35	3
8595	Fairbanks	Barbara Johnson	2
8596	Fairbanks	Institute of Alaska Native Arts, Inc.	2
8597	Anch	Alaska Credit Union League	3
8598	Ancho	Alaska Bingo Supply	3
8599	Kenai	Kenai American Legion Post #20	4
8600	Kenai	Kenai American Legion Post #20 Auxiliary	4
8601	Dillingham	City of Dillingham	5
8603	Chugiak	Chugiak Senior Citizens	3
8604	Wasilla	Westside/Alano Bingo	3
8605	Anch	Alaska Center for the Environment	3
8606	Kiana	Kiana Bluff Jumpers Search & Rescue	6
8607	Nome	Nome Eskimo Community	6
8608	Kotzebue	Kotzebue Lions	6
8609	Anch	Nat'l Multiple Sclerosis Society	3
8610	Anch	Alaska Laborers Training School	3
8611	Anch	Alaska Bingo Management	3
8612	Anch	Big Brothers/Big Sisters	3
8613	Anch	The North Pacific Rim	3
8614	Bethel	Bethel VFW Post #10041 Auxiliary	5
8615	Chevak	Chevak Traditional Council	5
8616	Kake	City of Kake Bingo	1
8617	Anch	Special Olympics	3

5 'as of 7/24/87)
(71 total)

ALASKA CHARITABLE GAMES ASSOCIATION

(907) 245-7003 (Anchorage area)
1-800-478-7005 (In-state toll free)
1-800-544-2246 (Out-of-Alaska toll free)

A Trade Association
to protect and promote
Alaska's gaming industry

5904 Arkansas Drive Anchorage, AK 99517

Members who have played Pull-Tabs for ACGA
(as of 7/1/87 - in random order)

<u>CITY</u>	<u>NAME</u>
Ketchikan	VFW Post #4352 - Honeydew Lounge
Kenai	Peninsula Oilers
Fairbanks	Kila, Inc.
Barrow	Pt. Barrow Lions
Savoonga	City of Savoonga
Ketchikan	Eagles Aerie #162
Arctic Vil.	Arctic Village Council
Anch	AFL-CIO
Anch	Spenard Lions
Anch	Akeela House
Anch	ARCA
Anch	Mt McKinley Lions
Anch	Holy Family Cathedral
Anch	Painters Local #1140
Anch	Painters Apprentice & Training
Anch	Alpine Alternative
Anch	Alaska Dance Theater
Anch	Miss Alaska Pageant
Anch	Captain Cook JayCees
Anch	Work Preservation Trust
Anch	Barrier Free
Anch	Alaska Sport Fishing Assoc.
Palmer	Mat-Su Miners Baseball
Anch	Alaska Democratic Party
(25) Anch	Anchorage BUCS Baseball

BILL NO:

HB 299

DATE:

May 4, 1987

TITLE:

"An Act revising state gambling laws."

CONTACT:

Maj. Walter J. Gilmour

DEPARTMENT OF PUBLIC SAFETY

To legalize certain types of gambling statewide and provide procedures for issuing permits, collecting fees and monitoring gambling activities.

This proposed legislation would legalize certain types of gambling statewide and provide procedures for obtaining permits, accessing and collecting fees, conducting background checks and criminal history checks on certain employees, and monitoring the activities of the industry. The only portion of this legislation which will affect the Department of Public Safety is the background investigations, criminal history checks and fingerprinting of applicants, which would require a full-time position of an additional clerical person (Clerk IV) to perform the above functions and maintain files on same.

The Department of Public Safety is neutral on this legislation.


ARTHUR ENGLISH
Commissioner

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: HB 299

Publish Date: _____

REQUEST

Revision Date: _____

Title: "An Act revising state gambling laws."

Sponsor: Labor & Commerce Committee

Requestor: House Labor & Commerce

Agency Affected: Public Safety

BRU: Alaska State Troopers

Components: Detachments & CIB

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		32.7	33.7	34.7	35.7	36.8
TRAVEL						
CONTRACTUAL		1.4	1.4	1.5	1.5	1.6
SUPPLIES		3.0	3.1	3.2	3.3	3.4
EQUIPMENT		12.2				
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		49.3	38.2	39.4	40.5	41.8
CAPITAL						
REVENUE						

FUNDING:: (Thousands of Dollars)

GENERAL FUNDS		49.3	38.2	39.4	40.5	41.8
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME		1	1	1	1	1
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

See attached schedule.

Prepared by: Francis C. Allan
Division: Alaska State Troopers

Phone: 269-5691

Date: 5/4/87

Approved by Commissioner: Arthur English
Agency: Public Safety

Date: 5/4/87

Distribution (by preparer):

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

JNR
5/5/87

CONTINUATION OF FISCAL NOTE ANALYSIS
For Bill/Resolution No. HB 299

The Division of Alaska State Troopers anticipates being responsible for providing background checks on organizations and individuals who apply for gambling permits. It is expected that AST will receive from the applicants partially completed applications (with funds attached to send with a certified fingerprint card to the F.B.I.). Based upon an estimate of 1,200 background checks per year, a full-time Clerk IV will be required, based upon our experience with Security Guard Licensing. Program Receipts from receipt of permit requests are not anticipated to offset any costs to DPS. Background checks will involve APSIN/MLETS/AAFIS checks, processing of fingerprint cards to the FBI (3 - 4 months delay) and filing of permit application checks. A micro computer will be utilized to maintain data on applicants and to meet reporting requirements needed under this bill. A 3% inflation factor has been added to costs after FY88 for line items except equipment which is needed in the first year only.

Personal Services

Clerk IV, Range 9, Step A, PFT	\$21,564	
Overtime 120 hours	1,990	
Subtotal	23,554	
Benefits	4,490	
SBS	1,444	
Health	3,214	
Total Personal Services		32,702

Contractual

Maintenance on computer	400	
Telephone costs	1,000	
Total Contractual		1,400

Supplies

Forms (Applications, licenses)	2,000	
Office Supplies	750	
Miscellaneous	250	
Total Supplies		3,000

Equipment

Compaq Computer, Software, Printer, etc.	9,000	
Desk	691	
Chair	345	
Computer table	300	
Side chair	184	
Filing cabinets (6)	1,338	
Storage cabinet	385	
Total Equipment		12,243

Total		49,345
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Position Title Clerk IV		No. of Positions 1	Range/Step 9/A	Barg. Unit GGU
Time Status PFT	Staff Months 12.0	Location Anchorage		Election District 7-12
Justification				
Type of Expenditure			Amount	
1	2	3		
Salary	21,564			
Benefits	4,490			
Premium Pay	1,990			
Other SBS & Health	4,658			
Total Personal Services		32.7		
Travel				
Contractual		1.4		
Commodities		3.0		
Equipment		12.2		
Other				
Total Cost		49.3		
Funding Source for Total Cost				
Federal Receipts	1002			
G. F. Match	1003			
General Fund	1004	49.3		
I-A Receipts	1006			
CIP Receipts	1061			
Other				

This position will be responsible for processing applications and recording all related data, including fingerprint checks, criminal history checks to include APSIN/NLETS/AAFIS checks, as well as answering questions from the public and applicants. The position will be responsible for developing and implementing regulations relating to business. This Clerk IV must be a notary public in order to be able to notarize applications. The Clerk IV must be able to fingerprint applicants. This position will need to have a general bookkeeping knowledge in order to be able to handle the processing of application fees.

**Request For
New Position**

Agency Public Safety
 BRU Alaska State Troopers
 Component Director's Office

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 Revised Date

FY 88

STATE OF ALASKA
THE LEGISLATURE

338-4534
POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M

May 1, 1987

SUBJECT: Section-by-section analysis of HB 299
revising the state gaming laws

TO: Representative Dave Donley

FROM: George Utermohle *GU*
Legislative Counsel

The following is the section-by-section analysis of HB 299, an Act revising the state gaming law, requested by Ginger Baim of your staff.

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 repeals and reenacts AS 05.15.020.

The annual permit fee for a municipality or qualified organization is set at \$20 if the municipality or qualified organization had gross receipts of less than \$20,000 from games of chance and contests of skill during the prior year. The permit fee is \$50 for a municipality or qualified organization that grossed between \$20,000 and \$100,000 during the prior year. The permit fee is \$100 for a municipality or qualified organization that grossed more than \$100,000 during the prior year.

In addition to the permit fee a municipality or qualified organization that has gross receipts of \$20,000 to \$100,000 shall pay a fee of one percent of its net proceeds to the department. A municipality or qualified organization that has gross receipts exceeding \$100,000 shall pay a fee of 3% of the net proceeds to the department.

Section 2. Section 2 of the bill amends AS 05.15 by adding a new section AS 05.15.025.

Money received by the Department of Revenue under AS 05.15 shall be deposited in the general fund. The commissioner of administration shall separately account for the money. The annual estimated balance in the account may be appropriated by the legislature to the Department of Revenue to fund enforcement of AS 05.15.

Section 3. Section 3 of the bill amends AS 05.15.030 by adding a new subsection AS 05.15.030(c).

If a permittee changes the location of an activity the permittee shall notify the department and the local government within 30 days after the change.

Section 4. Section 4 of the bill repeals and reenacts AS 05.15.060.

The Department of Revenue shall adopt regulations necessary to carry out AS 05.15. Among the regulations that the department shall adopt are regulations concerning

1. issuance of permits and licenses;
2. procedures for determining net proceeds;
3. immediate revocation of permits and licenses;
4. financial statements;
5. investigation of permittees, licensees, and their employees;
6. exclusion of persons convicted of a felony within the preceding five years or of a crime involving moral turpitude or of a violation of a gambling law from participation as a permittee, licensee, or an employee of a licensee or permittee;
7. method and manner of conducting permitted activities and of awarding prizes;
8. limits on the activities that can be conducted under a permit;
9. methods of accounting for receipts, keeping records, and banking receipts;
10. disposition of funds held by a permittee or licensee when a permit or license is surrendered, revoked, or invalidated;
11. restrictions on employees of the Department of Fish and Game in salmon classics; and
12. other matters necessary to implement AS 05.15.

Section 5. Section 5 of the bill amends AS 05.15.070 in order to allow the commissioner of revenue to examine the books and records of operators, manufacturers of pull-tabs, and distributors of pull-tabs.

Section 6. Section 6 of the bill repeals and reenacts AS 05.15.080.

A municipality or qualified organization that has gross receipts of \$25,000 or more during a calendar quarter shall file a report with the department. However, a municipality or qualified organization that conducts only a raffle or lottery during the quarter is not required to report until the raffle or lottery is completed.

A municipality or qualified organization shall file an annual report with the department as well as any additional fee due to the department under AS 05.15.020(b).

Section 7. Section 7 of the bill adds new sections to AS 05.15.

Sec. 05.15.083 establishes the duty of operators to report to the department.

An operator shall file a monthly report with the department. However, an operator that conducts only a raffle or lottery during the month does not have to file a report until the raffle or lottery is completed.

An operator shall file a quarterly report with the department. The quarterly report shall contain information included in the employer's quarterly federal tax return (IRS Form 941) and in the employer contribution and wage reports to the Department of Labor that are prepared by the operator. However, an operator that conducts only a raffle or lottery during the quarter does not have to file a report until the raffle or lottery is completed.

An operator shall file an annual report with the department. The annual report shall contain information included in the employer's wage and tax statements (IRS Form W-2) for each employee.

Sec. 05.15.087 establishes the duty of an operator to report to an authorizing permittee.

An operator shall report monthly to each authorizing permittee for whom the operator conducts a game of chance or contest of skill. The operator shall pay each authorizing permittee the net proceeds for the month at the same time as the operator makes the monthly report.

An operator shall provide a quarterly report summarizing the activities during the prior calendar quarter for each authorizing permittee.

An operator shall provide an annual report summarizing the activities during the prior calendar year for each authorizing permittee.

Section 8. Section 8 of the bill amends AS 05.15 by adding a new section AS 05.15.095.

Applications and reports to the department shall be signed under penalty of perjury by the representative of a permittee or licensee.

The department may extend the deadline for a report due to the department by 30 days for a reasonable cause. The department may not extend the payment date for a fee due to the department.

A municipality, qualified organization or operator may not conduct an activity while a report or fee is delinquent.

A delinquent fee accrues interest at the rate of 12 percent per year.

Section 9. Section 9 of the bill amends AS 05.15.100(a) to provide for the operation of pull-tab games by municipalities and qualified organizations.

Section 10. Section 10 of the bill amends AS 05.15.100 by adding a new subsection to provide for the issuance of licenses to operators who conduct games of chance and contests of skill on the behalf of municipalities and qualified organizations.

Section 11. Section 11 of the bill amends AS 05.15 by adding new sections.

Sec. 05.15.112 requires each municipality and qualified organization to designate a member in charge.

The member in charge is responsible for all records and reports required of a municipality or qualified organization. The member in charge shall be a bona fide member of the qualified organization or an employee of the municipality.

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The member in charge shall monitor the performance of operators engaged by the member's organization.

Alternate members in charge may also be appointed.

Sec. 05.15.115 establishes requirements for contracts between municipalities and qualified organizations and operators.

The contract between a municipality or a qualified organization and an operator shall include the amount and form of compensation paid to the operator, the term of the contract, the activities to be conducted on the behalf of the permittee, the location where activities are to be conducted, and the name and address of the member in charge.

The permittee may not contract with more than one operator to conduct the same activity. The different activities are listed.

An operator shall submit copies of contracts, and amendments to contracts, to the department 72 hours before conducting activities under the contract or amendment.

Section 12. Section 12 amends AS 05.15 by adding new sections.

Sec. 05.15.125 establishes requirements for an operator's license.

A person may not conduct an activity under AS 05.15 on behalf of a municipality or qualified organization unless the person has received an operator's license from the department.

The department may issue an operator's license to a person who applies for a license, pays an annual fee of \$500, discloses the identity of persons having a significant interest in the applicant, discloses the identity of persons employed by the applicant in a managerial or supervisory capacity, submits proof of liability insurance, and posts a bond of \$25,000 for each permit under which the applicant will operate up to a maximum of \$100,000.

The department may not issue an operator's license to an applicant, if the applicant, a person owning a significant

interest in the applicant, or a managerial or supervisory employee of the applicant has been convicted of a felony within the preceding five years or of a crime involving moral turpitude or of a municipal, state, or federal gambling law.

A person may not hold a significant interest in a licensed operator if the person has been convicted of a felony within the preceding five years or of a crime involving moral turpitude or of a violation of municipal, state, or federal gambling law.

An operator may not employ a person in a managerial or supervisory capacity if the person has been convicted of a felony within the preceding five years or of a crime involving moral turpitude or of a violation of a municipal, state, or federal gambling law.

Sec. 05.15.128 requires the department to revoke an operator's permit if the operator does not report a profit of 15 percent or more during two consecutive quarters based on the total operation of the operator or if the operator does not pay 20 percent of the profit to the authorizing permittee on whose behalf the activity is conducted. The operator may appeal the revocation but an audit by the department is conclusive.

Section 13. Section 13 of the bill amends AS 05.15.140(b) to require a municipality or qualified organization to disclose whether the person who operates activity for the municipality or qualified organization has been convicted of a felony within the preceding five years or of a crime involving moral turpitude or of a violation of a municipal, state, or federal gambling law.

Section 14. Section 14 of the bill amends AS 05.15.140(c) to prohibit the department from issuing a permit to a person who has been convicted of a felony within the preceding five years or of a crime involving moral turpitude or of a violation of a municipal, state, or federal gambling law.

Section 15. Section 15 of the bill amends AS 05.15.160 relating to expenses that may be deducted from gross receipts.

Section 16. Section 16 of the bill amends AS 05.15 by adding new sections.

Sec. 05.15.165 establishes the duty of an operator. An operator shall pay net proceeds to the authorizing permittee by check.

The operator may not incur unauthorized expenses. The department may order the operator to refund to the authorizing permittee, any amount withheld as an unauthorized expense plus interest at 1.5% per month.

The operator shall post a copy of the operator's license and the permit of each authorizing permittee with whom the operator has a contract to conduct activities at the location.

The operator shall pay employees of the operator a reasonable wage.

The operator shall obtain liability insurance for each location where the operator conducts games of chance and contests of skill. The operator shall provide proof of insurance to the department. The operator and the insurer shall inform the department of changes in or cancellation of insurance. If the operator's liability insurance is cancelled, the operator may not conduct games of chance or contests of skill until subsequent insurance is obtained.

The operator shall have its financial records reviewed by a certified public accountant each year. The operator shall submit the results of the review to the department by February 28.

The operator may not charge losses due to bad checks or uncollectable debts against the net proceeds due to the authorizing permittee, extend credit to players, employ house players, or allow employees to play a game conducted by the operator at the location where the employee works for the operator.

Sec. 05.15.167 establishes the requirement that an operator post a bond or security payable to the department and that the bond is first applied against fees, interest, and penalties due to the department. The operator shall inform the department if the bond is cancelled or the security is impaired.

Section 17. Section 17 of the bill amends AS 05.15.180(b) to include bingo games and pull-tab games within the list of

activities that may be conducted in a form and manner different from the way the activities were conducted before January 1, 1959.

Section 18. Section 18 of the bill amends AS 05.15 by adding new sections.

Sec. 05.15.181 establishes the requirements for a pull-tab manufacturer.

A person may not manufacture pull-tabs without a license issued by the department.

The department may issue a pull-tab manufacturer's license to a person who pays an annual fee of \$500.

Each series of pull-tabs manufactured in the state shall bear a serial number.

A pull-tab manufacturer may distribute pull-tabs to only licensed pull-tab distributors.

A pull-tab manufacturer shall report monthly to the department on each series of pull-tabs sold.

Sec. 05.15.183 establishes the requirements for a pull-tab distributor's license.

A person may not distribute pull-tabs without a license issued by the department.

The department may issue a pull-tab distributor's license to a person who pays an annual fee of \$1,000.

Pull-tabs may be distributed only from a location in the state.

A pull-tab distributor shall report each month on the pull-tab games distributed.

A pull-tab distributor shall pay each month a tax of three percent of the retail value less prizes awarded for each pull-tab series sold.

Sec. 05.15.185 establishes requirements for the distribution of pull-tab games.

Sec. 05.15.187 establishes requirements for the operation of pull-tab games.

A municipality or qualified organization may operate pull-tab games. Pull-tabs may be obtained only from licensed pull-tab distributors.

A municipality or qualified municipality that sells pull-tabs without the assistance of a licensed operator may award up to \$500,000 in prizes in pull-tab games each year. The municipality or qualified organization may award more than \$500,000 in prizes in a year if it pays a fee of one percent of the amount awarded in prizes above the \$500,000 level.

A municipality or qualified organization may not award more than \$300,000 in prizes if it utilizes an operator to conduct the pull-tab games on its behalf.

A pull-tab series may not be sold at more than one location on the same day.

Pull-tabs from different series may not be mixed or combined.

A pull-tab series may not be withdrawn from sale until all pull-tabs in the series are sold.

Each municipality or qualified organization that had gross receipts exceeding \$100,000 during the preceding year from activities conducted under AS 05.15 or that is required to report under AS 05.15.080(a) shall maintain for two years a record of each prize of \$25 or more from a pull-tab game and of the pull-tabs sold.

Section 19. Section 19 of the bill repeals and reenacts the definition of the "net proceeds".

Section 20. Section 20 of the bill amends the definition of "qualified organization" to require that the organization be in existence for only three years rather than five years before qualifying to conduct games of chance or contests of skill.

Section 21. Section 21 of the bill repeals and reenacts the definition of "raffle and lottery" to exclude pull-tab games.

Section 22. Section 22 of the bill defines "adjusted gross income", "authorizing permittee", "commissioner",

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"department", "distribute", "operator", "pull-tab game",
"series", and "significant interest".

Section 23. Section 23 of the bill amends AS 05.15 by adding
a new section AS 05.15.995. AS 05.15 may be cited as the
Alaska Gaming Reform Act.

GU:csh
c8/019