

HB

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ADOPTED  
AS CS

5-0947Nb  
Ford/  
Uteimohle

A M E N D M E N T

Offered in the SENATE

By Kelly

TO: CSHB 299(Finance)

Page 17, lines 23 - 25:

Delete "Unless a pull-tab series also confers an additional right upon all or some of the purchasers of the series to participate in a lottery for additional prizes, a"

Insert "A"

Page 22, after line 16:

Insert a new bill section to read:

"\* Sec. 37. Notwithstanding the provisions of AS 05.15.187(b), enacted in sec. 22 of this Act, a pull-tab series may be sold at more than one location during the same day if the pull-tab series also confers an additional right upon all or some of the purchasers of the series to participate in a lottery for additional prizes and the pull-tab series is sold before July 1, 1989."

DT: 4/29/88

TO:

FR: Bob D. Thomas  
Alaska Lottery Coalition

RE: CSHB 299(Fin)

The following figures provide a comparison of possible projected gross sales and break-outs for a lottery operating in Alaska similar to the current operation, "Alotto." "Alotto" first game sales, as reported to the AK Dept of Revenue, are used for current and CSHB 299(Fin) allowed projections for one year.

ONE YEAR PROJECTIONS FOR "ALOTTO" AS CURRENTLY PERMITTED

	<u>Per Game</u>	<u>Annually</u>	
Gross Sales	\$ 300,000 x 6 =	\$ 1,800,000	100%
Prize Pay-out	171,000 x 6 =	1,026,000	57%
Administration	81,000 x 6 =	486,000	27%
Contributions	48,000 x 6 =	288,000	16%

ONE YEAR PROJECTIONS FOR "ALOTTO" AS WOULD BE ALLOWED BY CSHB 299(Fin)

	<u>Per Game</u>	<u>Annually</u>	
Gross Sales	\$1,500,000 x 6 =	\$ 9,000,000	100%
Prize Pay-out	855,000 x 6 =	5,130,000	57%
Administration	405,000 x 6 =	2,430,000	27%
Contributions	240,000 x 6 =	1,440,000	16%

ONE YEAR PROJECTION FOR WORST CASE SCENARIO ALLOWED BY CSHB 299(Fin)

	<u>Per Game</u>	<u>Annually</u>	
Gross Sales	\$1,333,333 x 12 =	\$16,000,000	100%
Prize Pay-out	1,000,000 x 12 =	12,000,000	75% (Nat. Ave.)
Administration	303,333 x 12 =	3,699,999	22.75%
Contributions	30,000 x 12 =	360,000	2.25% (HB 299 Req.)

PROJECTIONS FOR STATE OPERATED LOTTERY

	<u>Annually</u>	
Gross Sales	\$55,000,000	100%
Prize Pay-out	27,500,000	50%
Administration	8,250,000	15%
Net to State	19,250,000	35%

Mark - dig this

(g) we change the bond requirement  
to "at least \$250,000"

and add:

(h) Notwithstanding other provisions of this chapter, the gross receipts for a pull tab game that confers an additional right upon all or some of the purchasers of a pull tab series to participate in a lottery for additional prizes may not exceed the amount of the bond described in AS 05.15.183.

So - if Billy wants to  
run a bigger lottery, he posts a  
bigger bond. He could probably  
run the size he runs now



AMERICAN LEGION POST 27  
P.O. BOX 27  
GLENNALLEN, ALASKA 99588

February 29, 1988

REP DICK SCHULTZ  
BOX  
JUNEAU, . AK 99801

HON. REP. SCHULTZ:

I am writing you in regards to HE 299 which I feel has several points that need to be corrected before it has a chance to become law.

This American Legion Post has just completed a very successful state wide lottery which returned to us approximately \$49000 which we can donate to many very valuable and important functions throughout the State of Alaska. This will not be allowed under HB 299 as it is now proposed, because it would not allow us to sell our tickets at more than one location on the same day.

Attached a list of the various organizations we have already donated money to or have pledged money.

I urge your support in getting this bill changed or defeated.

Respectfully yours;

*Paul J. Blair*  
PAUL J. BLAIR  
COMMANDER

HB299 -

need to pull out section dealing w/ simultaneous sales, single sites

say Jack Goddard  
Drawer I  
Copper Center, A  
99573

Rick



AMERICAN LEGION POST 27  
 P.O. BOX 27  
 GLENNALLEN, ALASKA 99588

February 29, 1988

REP DICK SCHULTZ  
 BOX  
 JUNEAU, AK 99801

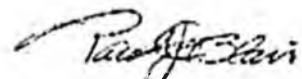
HON. REP. SCHULTZ:

DONATION LIST:

WILDERNESS SEARCH & RESCUE	COLLEGE. AK	\$100
PEOPLE COUNT INC	KENAI, AK	500
KIDS ARE PEOPLE	WASILLA. AK	500
CTR OFR CHILDREN & PARENTS	ANCHORAGE. AK	1000
FOSTER GRANDPARENTS/RET SEN	FAIRBANKS	500
SALVATION ARMY	ANCHORAGE/FBKS	2000
AMERICAN RED CROSS	ANCHORAGE/FBKS	2000
BROTHER FRANCIS SHELTER	ANCHORAGE	2000
UNITED SERVICE ORGAN		500
IDITAROD SLED DOG RACE	ANCHORAGE	500
YUKON QUEST SLED DOG RACE	FAIRBANKS	500
BOY SCOUTS OF MOOSE CRK	EIELSON	500
GRTR FEKS YOUNG MEN BOWING ASSOC		100
JR ACHIEVEMENT OF ALASKA	ANCORAGE/FBKS	100
PERSONS AVAIL OF WILDERNESS SEARCH	FBKS	100
A/F ASSOC MIDNITE SUN CHAP	FAIRBANKS	100
ENEP'UT CHILDRENS CENTER	FAIRBANKS	100
KODIAK AREA NATIVE ASSOC	KODIAK	500
ANCHOR POINT PUB LIB	ANCHOR POINT	250
AMERICAN LUNG ASSOC	ANCORAGE/FBKS	1000
HELP FOR SEXUALLY ABUSED CHIL	ANCHORAGE	500
FAR NORTH J/C'S	FEKS	100
STAND TOGETHER AGAINST RAPE	ANCHORAGE	500
EASTER SEAL SOCIETY	JUNEAU/ANC	1000
FAIRBANKS YOUTH FOOTBALL	FAIRBANKS	100
FAIRBANKS AM HOCKEY ASSOC	FAIRBANKS	100
ANCORAGE AREA EPILEPSY SOC	ANCHORAGE	1000
INTERPERTER REFERRAL LINE	ANCHORAGE	250
NORTH STAR LITTLE LEAGUE	FAIRBANKS	100
FORMER MARINE AGAINST DRUGS	FAIRBANKS	100
BIG BROTHER/BIG SISTER	FAIRBANKS	500
ALASKA ALPINE CLUB	FAIRBANKS	100
MUSCULAR DISTROPHY ASSOC	ANCHORAGE	1000
AMERICAN DIABETES ASSOC	ANCHORAGE	1000
FAIRBANKS CRISIS CLINIC	FAIRBANKS	500
ALASKA MENTAL HEALTH	ANCHORAGE	500
ALASKA HEALTH FAIR	ANCHORAGE	1000
COLLEGE LIONS CLUB	COLLEGE	100
COPPER RVR CHAMBER OF COMM	GLENNALLEN	250
HOPE SUNRISE EMER MED SER	HOPE	100
FAIRBANKS CONCERT ASSOC	FAIRBANKS	100
PET PRIDE	FAIRBANKS	100
AMERICAN LEGION BOYS STATE	ALASKA	500
AMER LEO CHILDREN AND YOUTH	ALASKA	1000

AMER LEG POST 15	PALMER	500
AMER LEG POST 35	WASILLA	500
AMER LEG POST 19	NOME	500
AMER LEG POST 57	FAIRBANKS	500
AMER LEG UNIT 27	GLENNALLEN	5000
AMER LEG POST 27 SCHOLARSHIP	GLENNALLEN	5000
COPPER RVR EMER MED SER	GLENNALLEN	500
COPPER RVR LIONS CLUB	GLENNALLEN	5000
AMER LEG BASEBALL	PALMER	500
KETCHIKAN COM COL SCHOLARSHIP	KETCHIKAN	500
METLIKATLA BOOSTER CLUB	METLIKATLA	500
SWAN-O SEN CIT CTR	SITKA	500
AMERICAN CANCER SOC	ANCHORAGE	500
GLN HIGH SCH PROJ CLOSEUP	GLENNALLEN	1000
VFW POST 9638	FAIRBANKS	500
GLN COM LIB	GLENNALLEN	500
AMER LEG ORATORICAL	COLLEGE	500
MONROE FOUNDATION	FAIRBANKS	500
	TOTAL	\$45750

Respectfully yours;

  
 PAUL J. BLAIR  
 COMMANDER

LAW OFFICES  
SONOSKY, CHAMBERS, SACHSE & MILLER

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900 WEST FIFTH AVENUE  
ANCHORAGE, ALASKA 99501  
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WILLIAM R. PERRY  
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DONALD J. SIMON  
DOUGLAS B. L. ENDRESON\*\*  
MARY V. BARNEY  
ANNE D. NOTO  
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WASHINGTON, D. C. OFFICE  
1250 EYE STREET, N. W.  
WASHINGTON, D. C. 20005  
(202) 682-0240

April 22, 1988

\*ALASKA AND DISTRICT OF COLUMBIA BARS  
\*\*WISCONSIN BAR  
ALL OTHERS DISTRICT OF COLUMBIA BAR

VIA TELECOPIER

Honorable Tim Kelly  
Senate Labor and Commerce Committee  
P. O. Box V (Mail Stop 3100)  
Juneau, Alaska 99811

Re: House Bill 299, the Alaska  
Gaming Reform Act  
(Our File No. 2201.21)

Dear Senator Kelly:

We write on behalf of four gaming permittees, the Alaska Native Health Board, the Aleutian/Pribilof Islands Association, the Aleutian Housing Authority, and the Kodiak Area Native Association, to express our strong support for H.B. 299 as amended, and to urge the Committee to refer the bill without amendment.

ANHB, A/PIA, AHA, and KANA are regional non-profit organizations which serve most of the health and social service needs of qualifying citizens residing on the Aleutian Chain, the Pribilof Islands, and in the Kodiak Island area. They operate clinics, alcohol and mental health programs, family assistance programs, vocational job training assistance, higher education programs, weatherization programs, and provide a considerable variety of other services. The Alaska Native Health Board carries out a wide range of health programs and research initiatives for the collective benefit of all Alaska Native people across the State. Finally, the Aleutian Housing Authority administers low-income housing projects for communities on the

Senator Kelly  
April 22, 1988  
Page 2

Aleutian Chain and the Pribilof Islands. To further these purposes, in 1986 the four non-profits joined together to establish a bingo hall in Anchorage under the umbrella name of "Lucky Strike Bingo."

For these organizations, gaming revenues are vital to supplement the government-funded programs that each of the non-profits operates. In an era of severe declines in state and federal grants and contracts, dramatically rising costs and increasing human needs, gaming funds provide a vital and essential bridge. Gaming proceeds also are virtually these organizations' only source of non-restricted funds which can be spent to further their objectives in areas not specifically targeted by an existing grant or government contract. Gaming revenues are thus critical in a faltering economy; without them, the non-profits would be compelled to substantially cut back and narrow their services and activities.

By way of example, gaming revenues have been used to purchase food for needy people in the A/PIA region and to aid needy families in paying funeral expenses. They have been used by ANHB to fund travel to Washington, D.C. to work with the Indian Health Service in improving the administration of federal drug and alcohol treatment programs in the State. They have been used by KANA to establish a fund to build a museum celebrating the cultural heritage of the Native people of the Kodiak region. They have been used by AHA in part to contribute to other non-profit organizations including churches located in the Aleutian Chain. All four of the organizations plan to continue using future gaming monies for similar purposes such as social services, health services, cultural programs, and school scholarship programs.

We believe the clear intent of the original 1960 gaming laws (as well as the 1976 amendments) was to allow qualifying charitable organizations to engage in limited gaming activities as a means of fundraising to continue and expand good works in the State. The four non-profits are a perfect example of the organizations and activities the legislation is intended to support. The principle rationale for legalizing limited gaming has not changed. What has changed is the increased popularity of games of chance coupled with radical changes in the State's economic health. Consistent with the original intent, H.B. 299 must continue to encourage charitable gaming in Alaska while simultaneously providing safeguards against potential abuses.

The four non-profits strongly support H.B. 299 as amended, because they believe that the House has worked to carefully craft a bill that both preserves the original purpose and recognizes

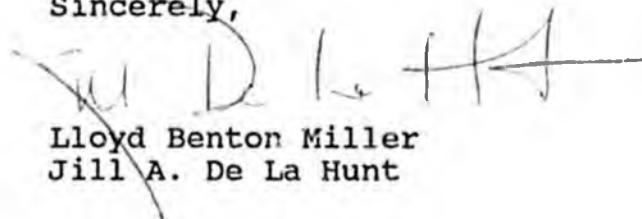
Senator Kelly  
April 22, 1988  
Page 3

the change in the status of gaming in Alaska. The bill has been scrutinized through extensive testimony, and has been amended to meet all legitimate concerns.

Given that the H.B. 299 enjoys wide support, including that of the Department of Revenue, we respectfully urge the Labor and Commerce Committee to refer this crucial legislation to the Finance Committee without amendment. We hope the Labor and Commerce Committee will act on this bill as quickly as possible in these last days of the session, so that the bill continues to move forward.

We would very much appreciate it if you could circulate this correspondence to all members of the Committee.

Sincerely,

A handwritten signature in black ink, appearing to be "Lloyd Benton Miller" and "Jill A. De La Hunt" written together. The signature is written in a cursive, somewhat stylized font. A diagonal line is drawn through the signature, crossing out the names.

Lloyd Benton Miller  
Jill A. De La Hunt

JAD;bj  
c:299

DT: 4/27/88

TO: Alaska Legislature  
Senate Labor & Commerce Committee

FR: Robert D. Thomas, Director  
Alaska Lottery Coalition  
PO Box 22204  
Juneau, AK 99802  
(907) 463-3044

RE: CSHB 299(Fin)

The Alaska Lottery Coalition is a non-profit corporation established to support legislation for a state operated lottery in Alaska. Our efforts to date have been to provide the legislature and the public with accurate and up-to-date information about government operated lotteries and support of HB 236, an act to establish a state lottery.

The Coalition has a high degree of concern with the current status of HB 299. Page 17, lines 23 - 25, would allow the operation of regional and state-wide lotteries by charitable gaming permit holders, or operators using charitable gaming permits. This form of lottery is currently prohibited to operate within Alaska by regulation, 15 AAC 105.210.

Experience in the U.S., Canada and most of the rest of the world indicates that government run lotteries are the only form of lottery operation capable of providing the necessary security to adequately protect the public's interests. This assurance is the reason government lotteries have gained public trust in recent years, and is the reason thirty states have authorized lotteries and seventeen more states are considering pending legislation for formation of state operated lotteries. The consensus of those familiar with public gaming, lottery administrative personnel from other states, the service industry for government run lotteries, and government policy makers in jurisdictions currently operating lotteries, views non-government operated lotteries to be in extreme conflict with the public's interest.

The stage being set by CSHB 299(Fin) is very similar to that of the early 1800's when government permitted, but not government operated, lotteries flourished in North America and were the subject of manipulation by their operators. It was during this era that lotteries were banned throughout the U.S. and Canada. Lotteries were not revived again until the advent of government controlled computer systems which provide the key to secure accounting and absolute assurance that the games are fair to all who choose to play.

page 2.

Unfortunately a state-wide lottery has been permitted to operate in Alaska for approximately the last year in conflict with Dept. of Revenue regulations. This lottery, operated by an individual from Fairbanks is using a charitable gaming permit from the Glenallen American Legion Post. This lottery offers absolutely no security to insure that the players are protected from outright fraud or accidental omissions eliminating players from the drawings they are promised to be a part of. Should CSHB 299(Fin) become law, this type of lottery operation would become legal and is very likely to flourish throughout Alaska. We predict that it would only be a matter of time before this absence of security will result in someone "walking away with the money" from some lottery. When this happens, the charities loose credibility and money, the public will be cheated, and the resulting image of legitimate lotteries will be tarnished.

I urge consideration of an amendment to CSHB 299(Fin) to include "sunset" language which would allow the current operator to continue his operation until July 1, 1989. This will discourage additional similar lotteries from being implemented until the legislature has had an opportunity to consider this issue next year, and will minimize the hardship imposed on the operator to a reasonable degree. This "sunset" amendment should delete language on page 17, lines 23 - 25, "Unless a pull-tab series . . . for additional prizes."; and paragraph (g) on page 18, lines 17 - 23, after July 1, 1989.

# HOUSE LABOR AND COMMERCE COMMITTEE

ALASKA STATE LEGISLATURE

P.O. BOX Y, JUNEAU 99811

(907) 465-3892

Chairman-Representative Dave Donley



## Sectional Analysis for

### CS HB 299 (Finance) - Alaska Charitable Gaming

By the House Labor and Commerce Committee

Representative Dave Donley, Chair

April 27, 1988

#### Section 1. Repeals and reenacts AS 05.15.020. to:

(a) Authorizes a municipality or qualified organization to conduct gaming activities if they have a license issued by the Department of Revenue and if they pay an annual permit fee on a sliding scale based on amount of activity conducted under the permit (1) \$ 20 for new applicants and (2) permits with gross receipts less than \$20,000, (3) \$50 for over \$20,000/under \$100,000 and (4) \$100 for over \$100,000

(b) maintains current fee to be paid to the Department consisting of 1 percent of the net proceeds for permits with gross sales over \$20,000

Section 2 - Adds a new section AS 05.15.025 "program receipts" language that requires the Department to separately account for license and permit fees so that the Legislature may appropriate them to the Department to pay for enforcement of this statute.

Section 3 - Adds reference in AS 05.15.030 (a) regarding operators, pull-tab distributor, and pull-tab manufacturers license to existing statute that requires an applicant to notify a local government of their proposed activities and gives the local government the opportunity to protest or comment on the proposed activities.

Section 4 - Adds new subsection (c) to AS 05.15.030 to require a permit holder to notify the Department and the local government within 10 days of changing the location of a permitted activity

Section 5 - Repeals and reenacts AS 05.15.060 authorizing the Department to establish regulations governing the issuance of permits and the qualifications of permittees. HB 299 makes small changes in existing statute to include the words "and licenses" or "and licensees". The only substantive changes are:

(6) prohibits the Department from issuing a permit or license to a person if they have been convicted or on parole for a felony within the last five years or if they have ever been convicted of a crime

involving theft or dishonesty or any gambling offense. Prohibits an operator from employing anyone with a criminal record as described above.

(8) raises the limit on the number of bingo sessions that can be conducted during a month from 9 to 14

(11) prohibits ADF&G employees from participating in salmon classics.

Section 6. - Amends AS 05.15.070 to permit the Commissioner to investigate and/or examine the books of an operator or a pull-tab distributor or manufacturer.

Section 7 - Repeals and reenacts AS 05.15.080:

(a) Requires report within 45 days when permittee's gross sales exceed \$50,000 for a particular quarter, clearly spells out the kind of information required in the report, and provides that reports for raffles and lotteries can be submitted after the activity is completed.

(B Requires permittees to submit annual report along with any additional fees due the state under AS 05.15.020(b)

Section 8. - Adds new sections to AS 05.15. governing reports from operators to the Department.

(a) Requires operators to file quarterly reports with the Department and delineates the required information. If the activity is a raffle or lottery, the report need not be filed until the even is completed.

(b) Requires operators to file annual reports with the Department and delineate the required information to be submitted under the report.

Sec. 05.15.087. - Adds a new section to AS 05.15 governing reports from the operator to the permittee and the payment of net proceeds

(a) Requires the operator to file monthly reports with the permittee by the 15th day of the next month and requires that all net proceeds due the permittee be paid at that time.

(b) Requires quarterly reports from operator to permittee by the last day of the month following the end of the calendar quarter.

(c) Requires annual reports from operator to permittee by February 28.

(d) Requires operator to provide original billings and/or invoices to their permittee.

arning summary reports on charitable  
to the Legislature. Requires the  
adds operators to the list of  
is required to include in the

new section to article 1.  
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prohibits a permittee from contracting with more than one operator at a time to conduct the same type of activity  
(d) requires a permittee to submit a copy of the contract or any subsequent amendments to the contract to the Department at least 15 days before conducting activities.

5.14 - Adds new sections to AS 05.15.125 governing operators prohibiting acting as an operator without a license

authorizes the Department to issue an operator license to a person who: (1) applies, (2) pays a fee of \$500.00, (3) discloses the number of employees in supervisory/management positions, (4) posts a \$25,000 bond for proof of liability insurance, (5) posts a \$10,000 bond for the license, up to a maximum of \$10,000.

5.15.060(6) - Authorizes a person with such a record as an operator from employing anyone in a position with a previous criminal record as described in AS 5.15.060(6) or anyone with such a record

5.15.060(6) - Regulation of Operators - Authorizes a person with such a record as an operator from employing anyone in a position with a previous criminal record as described in AS 5.15.060(6) or anyone with such a record

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Section 16 - Amends AS 05.15.140 (c) to prohibit the department from issuing a license for an activity operated by a person with a previous criminal record as described in AS 05.15.060(6).

Section 17 - Amends AS 05.15.160 to clarify what constitutes an "authorized expense" including (1) necessary gaming supplies, (2) personal services including those performed by an operator, (3) so long as the compensation is not related to the receipts from the activity.

Section 18 - Adds a new subsection (b) to AS 05.15.160 to authorize operators and permittees to pay their employees a reasonable wage and defines "reasonable wage" as the amount of compensation approximating the amount ordinarily paid by similar businesses for similar work performed under similar circumstances.

Section 19 - Adds new sections to AS 05.15.165 to establish rules governing operators:

(a) requires an operator to pay the net proceeds due a permittee by check

(b) if the department determines that some expenses by an operator are not authorized, they shall require the operator to reimburse the permittee with interest

(c) requires an operator to post the name of the permitted organization whose permit is in play in a public place

(d) requires proof of liability insurance and prohibits operators from conducting activities when their insurance has been cancelled

(e) requires an annual audit of operators records by a CPA and requires that the audit be submitted to the Department by February 28 of the year following the year for which the audit was done

(f) an operator may not (1) charge bad check losses to a permittee, (2) extend credit to players, (3) use house players, (4) allow employees to play a game being conducted by the operator

Sec. 05.15.167 - Operators Bond

(a) requires that an operator have a bond made payable to the Department. If operator fails to make payments due to the Department, the operator forfeits the bond to the Department

(b) bond is first used to satisfy delinquent fees, interest, and penalties due the Department. Anything left is prorated among permittees.

(c) operator and surety must inform the Department when the bond is cancelled or security is impaired.

Section 20 - Adds bingo and pull-tab games to the list of authorized activities (housekeeping measure).

Section 21 - Adds new subsections to AS 05.15.180

- (d) total value of door prizes offered per permittee limited to \$20,000 a month or \$240,000 a year.
- (e) total value of door prizes offered at a single location or by an operator on behalf of multiple permittees is limited to \$20,000 a month or \$240,000 a year.
- (f) persons under age of 19 may not play bingo
- (g) a permittee may award a maximum of \$1 million dollars in prizes each year unless they contract with an operator to conduct their games in which case they are limited to \$500,000 in prizes per year. (Prize limit does not include prizes awarded in bingo games)

Section 22 - Adds new sections to AS 05.15.181 governing a pull-tab manufacturers license

- (a) prohibits the manufacture of pull-tabs without a license
- (b) authorizes the Department to issue a manufacturers license to a person who pays an annual fee of \$500
- (c) requires each series of pull-tabs manufactured in the state to be sealed and have a serial number
- (d) licensed manufacturers can only sell pull-tabs to licensed distributors
- (e) manufacturer must make monthly report to the Department on serial numbers of tabs sold and who they sold them to

Sec. 05.15.183 - Pull-tab Distributor's License.

- (a) cannot distribute pull-tabs without a license
- (b) Department may issue a pull-tab distributor license for a fee of \$1,000
- (c) pull-tabs may be distributed from a location only within the state
- (d) pull-tab distributor shall make a monthly report to the Department listing the series distributed and to whom they were distributed
- (e) pull-tab distributor shall pay the Department a tax of three percent of an amount equal to the gross receipts less prizes awarded on each series of pull-tabs distributed. The tax shall be paid monthly at the time the report under (d) is due.

Sec. 05.15.185 - Distribution of Pull-Tab Games. Requires that each series of pull-tabs distributed in the state shall be sealed and have a serial number and may be distributed only to permittees or operators on behalf of a permittee.

Sec. 05.15.187 - Operation of pull-tab games

(a) a permittee or municipality may operate pull-tabs. Tabs must be purchased from a licensed distributor.

(b) unless a pull-tab series also confers an opportunity to participate in a lottery for additional prizes, a pull-tab series may not be sold at more than one location during the same day.

(c) pull-tabs from different series may not be mixed or combined except if the last 10% of a series remains unsold in which case it may be combined with another series of identical price and prize structure.

(d) a series may not be withdrawn from sale until all tabs are sold unless there is a manufacturers defect in which case it may be withdrawn and the Department must be notified.

(e) pull-tabs may not be sold to or purchased by a person under the age of 19.

(f) requires any permittee whose pull-tab sales grossed in excess of \$100,000 during the preceding year to maintain records for two years of each prize of \$50,00 or more, the first day and last day that each series was distributed, the serial number of each series, and the distributor from whom each series was purchased.

(g) a surety bond of \$250,000, conditioned upon payment of all prizes and awards when due, is required to operate a pull-tab game that confers and additional right to participate in a lottery for additional prizes. The bond must be submitted to the Department by the operator or authorizing permittee and approved by the attorney general.

Section 23, 24, 25, 26, 27, 28, 29, 30 - Lists various qualified organizations under statute and deletes the requirement that they must have been in existence for five years in order to qualify for a permit.

Section 31 - Adds "fishing derby" to the list of authorized activities and changes the five year period to three years that an organization has to be in existence in order to qualify for a gaming permit

Section 32 - Clarifies the definition of raffle and lottery

Section 33 and 34 - changes five year requirement to three years from religious and veterans organizations.

Section 35 - Amends AS 05.15.210 to define:

(27) "adjusted gross income" as gross income less prizes awarded and taxes

(28) "authorizing permittee" as a permittee who authorizes an operator to act in their behalf

(29) "Commissioner"

(30) "department" as the Department of Revenue

(31) "distribute" as selling, furnishing or supplying

(32) "operator" as a natural person, a municipality, or a qualified organization who is licensed by the Department and contracts to run a permitted activity

(33) "Pull-tab"

(34) "series" as a unit of pull-tabs with the same serial number

Section 36 - Adds a new section AS 05.15.995 giving HB 299 the short title of "Alaska Gaming Reform Act".

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TELECOPY COVER SHEET

TO: Senator Tim Kelly - 586-9548  
RE: H.B. 299  
DATE: April 22, 1988  
FROM: Sonosky, Chambers, Sachse & Miller

ATTENTION: John Ringstad

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April 22, 1986

\*ALASKA AND DISTRICT OF COLUMBIA BARS  
\*\*WISCONSIN BAR  
ALL OTHERS DISTRICT OF COLUMBIA BAR

VIA TELECOPIER

Honorable Tim Kelly  
Senate Labor and Commerce Committee  
P. O. Box V (Mail Stop 3100)  
Juneau, Alaska 99811

Re: House Bill 299, the Alaska  
Gaming Reform Act  
(Our File No. 3201.21)

Dear Senator Kelly:

We write on behalf of four gaming permittees, the Alaska Native Health Board, the Aleutian/Pribilof Islands Association, the Aleutian Housing Authority, and the Kodiak Area Native Association, to express our strong support for H.B. 299 as amended, and to urge the Committee to refer the bill without amendment.

ANKB, A/P/IA, AHA, and KANA are regional non-profit organizations which serve most of the health and social service needs of qualifying citizens residing on the Aleutian Chain, the Pribilof Islands, and in the Kodiak Island area. They operate clinics, alcohol and mental health programs, family assistance programs, vocational job training assistance, flight education programs, weatherization programs, and provide a considerable variety of other services. The Alaska Native Health Board carries out a wide range of health programs and research initiatives for the collective benefit of all Alaska Native people across the State. Finally, the Aleutian Housing Authority administers low-income housing projects for communities on the

Senator Kelly  
April 22, 1988  
Page 2

Aleutian Chain and the Pribilof Islands. To further these purposes, in 1986 the four non-profits joined together to establish a bingo hall in Anchorage under the umbrella name of "Lucky Strike Bingo."

For these organizations, gaming revenues are vital to supplement the government-funded programs that each of the non-profits operates. In an era of severe declines in state and federal grants and contracts, dramatically rising costs and increasing human needs, gaming funds provide a vital and essential bridge. Gaming proceeds also are virtually these organizations' only source of non-restricted funds which can be spent to further their objectives in areas not specifically targeted by an existing grant or government contract. Gaming revenues are thus critical in a faltering economy; without them, the non-profits would be compelled to substantially cut back and narrow their services and activities.

By way of example, gaming revenues have been used to purchase food for needy people in the AKPA region and to aid needy families in paying funeral expenses. They have been used by ANHE to fund travel to Washington, D.C. to work with the Indian Health Service in improving the administration of federal drug and alcohol treatment programs in the State. They have been used by KANA to establish a fund to build a museum celebrating the cultural heritage of the Native people of the Kodiak region. They have been used by ANA in part to contribute to other non-profit organizations including churches located in the Aleutian Chain. All four of the organizations plan to continue using future gaming monies for similar purposes such as social services, health services, cultural programs, and school scholarship programs.

We believe the clear intent of the original 1969 gaming laws (as well as the 1976 amendments) was to allow qualifying charitable organizations to engage in limited gaming activities as a means of fundraising to continue and expand good works in the State. The four non-profits are a perfect example of the organizations and activities the legislation is intended to support. The principle rationale for legalizing limited gaming has not changed. What has changed is the increased popularity of games of chance coupled with radical changes in the State's economic health. Consistent with the original intent, H.B. 299 must continue to encourage charitable gaming in Alaska while simultaneously providing safeguards against potential abuses.

The four non-profits strongly support H.B. 299 as amended, because they believe that the House has worked to carefully craft a bill that both preserves the original purpose and recognizes

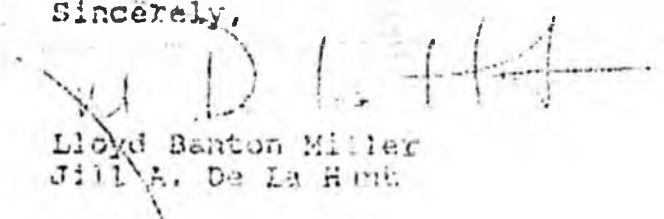
Senator Kelly  
April 22, 1988  
Page 3

the change in the status of gaming in Alaska. The bill has been scrutinized through extensive testimony, and has been amended to meet all legitimate concerns.

Given that the H.B. 299 enjoys wide support, including that of the Department of Revenue, we respectfully urge the Labor and Commerce Committee to refer this crucial legislation to the Finance Committee without amendment. We hope the Labor and Commerce Committee will act on this bill as quickly as possible in these last days of the session, so that the bill continues to move forward.

We would very much appreciate it if you could circulate this correspondence to all members of the Committee.

Sincerely,



Lloyd Banton Miller  
Jill A. De La Hent

JAD:bj  
ci:270

DT: 4/27/88

TO: Alaska Legislature  
Senate Labor & Commerce Committee

FR: Robert D. Thomas, Director  
Alaska Lottery Coalition  
PO Box 22204  
Juneau, AK 99802  
(907) 463-3044

RE: CSHB 299(Fin)

The Alaska Lottery Coalition is a non-profit corporation established to support legislation for a state operated lottery in Alaska. Our efforts to date have been to provide the legislature and the public with accurate and up-to-date information about government operated lotteries and support of HB 236, an act to establish a state lottery.

The Coalition has a high degree of concern with the current status of HB 299. Page 17, lines 23 - 25. would allow the operation of regional and state-wide lotteries by charitable gaming permit holders, or operators using charitable gaming permits. This form of lottery is currently prohibited to operate within Alaska by regulation, 15 AAC 105.210.

Experience in the U.S., Canada and most of the rest of the world indicates that government run lotteries are the only form of lottery operation capable of providing the necessary security to adequately protect the public's interests. This assurance is the reason government lotteries have gained public trust in recent years, and is the reason thirty states have authorized lotteries and seventeen more states are considering pending legislation for formation of state operated lotteries. The consensus of those familiar with public gaming, lottery administrative personnel from other states, the service industry for government run lotteries, and government policy makers in jurisdictions currently operating lotteries, views non-government operated lotteries to be in extreme conflict with the public's interest.

The stage being set by CSHB 299(Fin) is very similar to that of the early 1800's when government permitted, but not government operated, lotteries flourished in North America and were the subject of manipulation by their operators. It was during this era that lotteries were banned throughout the U.S. and Canada. Lotteries were not revived again until the advent of government controlled computer systems which provide the key to secure accounting and absolute assurance that the games are fair to all who choose to play.

page 2.

Unfortunately a state-wide lottery has been permitted to operate in Alaska for approximately the last year in conflict with Dept. of Revenue regulations. This lottery, operated by an individual from Fairbanks is using a charitable gaming permit from the Glenallen American Legion Post. This lottery offers absolutely no security to insure that the players are protected from outright fraud or accidental omissions eliminating players from the drawings they are promised to be a part of. Should CSHB 299(Fin) become law, this type of lottery operation would become legal and is very likely to flourish throughout Alaska. We predict that it would only be a matter of time before this absence of security will result in someone "walking away with the money" from some lottery. When this happens, the charities loose credibility and money, the public will be cheated, and the resulting image of legitimate lotteries will be tarnished.

I urge consideration of an amendment to CSHB 299(Fin) to include "sunset" language which would allow the current operator to continue his operation until July 1, 1989. This will discourage additional similar lotteries from being implemented until the legislature has had an opportunity to consider this issue next year, and will minimize the hardship imposed on the operator to a reasonable degree. This "sunset" amendment should delete language on page 17, lines 23 - 25, "Unless a pull-tab series . . . for additional prizes."; and paragraph (g) on page 18, lines 17 - 23, after July 1, 1989.