

HB

168

# *BILL'S distributing of alaska*

March 1, 1991

Rep. David Finkelstein, Chairman  
House Labor and Commerce Committee  
Alaska State Legislature  
P.O. Box Y  
Juneau, Ak 99811

Dear Chairman Finkelstein

Thank you for the opportunity to speak in support of HB168 at today's teleconference.

By way of introduction, I began Bill's Distributing before the Gaming Reform Act of 1988 became effective. My business has grown because of a strong committment to my customers who are self-directed permitees. If they have a reasonable, stable operating environment in which to conduct legal gaming activity, my business will be healthy.

Before listing the specific changes to make HB168 truly effective, I wish to state clearly that NONE OF THE REQUESTED CHANGES REDUCE THE EFFECTIVENESS OF THE 3RD PARTY VENDOR ISSUE which HB168 seeks to legitimize. The changes simply cure some gray areas which continue to plague legitimate distributors. The changes, while being targeted at the distributor level, indirectly benefit the permitee. The licensed distributor too, must have a stable environment in which to conduct business.

## **TESTIMONY regarding HB 168**

**COMMENTS IN SUPPORT OF CHANGE TO  
AS 05.15.185 proposed in HB 168:**

### **RATIONALE:**

HB168 amends AS 05.15.185 by adding the following wording "or to a distributor licensed under this chapter". The effect is to allow one licensed distributor to purchase from another licensed distributor, as op-

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"You're Best Source for Pull-Tabs and Bingo Supplies"**

posed to purchasing soley from manufacturers. This practice has existed since before the Gaming Reform Act of 1988. It has NEVER been suspect of any abuse by distributors in the eyes of the department.

An Assistant Attorney General's opinion stopped the practice in mid 1990 on the basis that current law requires pull-tabs to be sold only to per- mitees or operators. The law simply did not foresee the necessity for allowing the practice.

The practice of Distributor to Distributor sales is of particular value to PERMITEES for the following reasons:

1. Prevents larger distributors from establishing a monopoly, thereby controlling prices of popular games. ALL Alaska Distributors have access to ALL products from ALL authorized (NAFTM) manufacturers. This in turn, allows PERMITEES to use distributor of choice, rather than creating a system of "exclusive games".

2. Since ALL distributors have access to ALL legal products, price competition will favor the PERMITEE. Like- wise, the selection of games available to a PERMITEE is greater.

3. Permitees too, compete in the marketplace. If a dis- tributor must purchase only from distant manufacturers, the delay in obtaining needed games is easily 30 days. If how- ever, distributor-to-distributor sales are allowed, the needed game can be obtained for the permitee the same day.

**REQUEST FOR CHANGE IN HB168**

**\*Sec 8 AS 05.15.184 Pull-tab Tax:**

**Strike the words: "~~or another distributor~~" on line 23.**

While the proposed change to AS 05.15.185 would legitimize Distributor

to Distributor sales, changes to AS 05.15.184 NEGATES THE VERY BENEFIT by making such sales taxable.

By striking "or another distributor" from AS 05.15.184 in HB168, and RE-TAINING THE NEW WORDING IN AS 05.15.185,

these sales become non-taxable AS THEY SHOULD BE.

**RATIONALE:**

1. This DOES NOT change the amount of gaming tax ultimately collected by the state. It merely forestalls the tax until the pull-tabs are sold to a permittee or operator.

2. Purchases from a pull-tab manufacturer are non-taxable. Neither should pull-tab purchases between licensed distributors be taxed. THESE ARE WHOLESALE TRANSACTIONS and are provided for as "exempt" in other states where a sales tax is imposed.

3. The current reporting regulations make adequate provision for "exempt" sales on Schedule A., "Distributor Report of Pull-Tab Sales". The Department of Commerce processes no more paperwork.

4. By making such sales taxable, the distributor is faced with a substantial paperwork burden of determining which pull-tabs in inventory have tax paid and which have not.

5. By making such sales taxable, the legislature is giving an OUT-OF-STATE manufacturer a competitive edge over an IN-STATE distributor. This competitive advantage amounts to an average \$25 per series of pull-tabs. EXAMPLE: An Alaska distributor has the choice of ordering 50 cases of #928 Cherry Bells from the factory or from another local distributor. The ADVANTAGE of ordering from the manufacturer is \$3,117.00 if these sales are made taxable.

6. Finally, The Alaska Distributor pays a substantial (\$1,000) annual fee. In exchange for that license fee, he

should be accorded tax exempt status until the end-user sale...to the permittee or operator. AGAIN, THIS IS NOT A QUESTION OF HOW MUCH TAX THE STATE WILL COLLECT, ONLY WHEN THEY WILL GET IT.

**REQUEST FOR CHANGE IN HB168**

**\*Sec 10. AS 05.15.183(e) Pull-tab distributor's license:**

**Strike the words: "(3) deliver a pull-tab series to a vendor location." on line 8.**

**RATIONALE:**

**Benefit to PERMITEES:**

1. As written, this proposed change would require a permittee to warehouse and personally deliver each and every pull-tab game. Most permittees simply lack the space and manpower to accomplish this. Pull-Tabs are heavy. Permittees generally operate from an office environment and incidently, dress accordingly. To require that they physically handle pull-tabs is unrealistic.

2. In addition to being ill-equipped for this considerable task, most permittees are clasified as "clerical" under Workers' Compensation insurance. The rate is much greater if warehousing and cargo handling are included. As well, auto insurance skyrockets if DELIVERY USE is made of a private vehicle.

2. A licensed distributor SHOULD be allowed to deliver games to the selling location UNDER THE SPECIFIC DIRECTION OF the permittee's Member-in-Charge. Distributors currently deliver free-of-charge, thereby saving the permittee valuable time, effort and money.

3. Rather than this cumbersome provision in statute, direct

the department to write a regulation ALLOWING the distributor to do his job UNDER SPECIFIC GUIDELINES.

4. I support inclusion of items 1 and 2 which prohibit a distributor from taking an order from, or selling to a vendor. This is adequate control. THERE HAS NEVER BEEN DOCUMENTED ABUSE which could have been prevented by including provision (3).

**REQUEST FOR CHANGE TO HB168**  
I hereby request that section AS 05.15.183(b) be amended as follows:

(b)(THE DEPARTMENT MAY ISSUE A PULL-TAB DISTRIBUTORS LICENSE TO A PERSON WHO PAYS AN ANNUAL FEE OF \$1,000.) (b) The department may issue a pull-tab distributor's license to a natural person that:

- (1) resides in the State of Alaska;
- (2) holds a valid Alaska Business License;
- (3) maintains a place of business in compliance with all applicable local zoning ordinances;
- (4) holds a managerial or ownership position in the proprietorship, partnership, or corporation of the distributor;
- (5) if the distributor does business as a corporation, shows proof of proper registration with the Department Commerce and Economic Development, Division of Corporations;
- (6) Applies on the form provided by the department;
- (7) pays an annual fee of \$1000.

**New Text Underlined (DELETED TEXT BRACKETED)**

**RATIONALE:**

These new requirements for a distributor brings this section in line with the requirements for an operator license by requiring that a distributor be a natural person residing in Alaska. ANYTHING LESS THAN

THESE PROVISIONS will allow certain out-of-state distributors to continue to "ghost" in the state. There is a strong likelihood that the department would have to travel out-of-state to conduct audits if the current distributor requirements are not revised by the legislature.

**REQUEST FOR CHANGE TO HB 188**

I hereby request that section AS 05.15.183(c) be amended as follows:

(c) Pull-tabs may be distributed from a location in the state. A person may not distribute pull-tabs directly to another person in the state from a location outside of this state. Distribution from a location within this state is deemed to have occurred when:

(1) a permittee, operator, or another distributor places an order with a pull-tab distributor within the state;

(2) Payment for such order is tendered to the pull-tab distributor within the state;

(3) All books and sales records of the pull-tab distributor are maintained at a location within the state.

**RATIONALE:**

Again, these simple additional provisions further define what constitutes "distribution in the state". EVERY LEGITIMATE IN-STATE DISTRIBUTOR CURRENTLY MEETS THESE TESTS.

**REQUEST FOR CHANGE TO HB 188**

I hereby request that section AS 05.15.185 be amended BY **ADDING A NEW SUBSECTION** as follows:

(b) Notwithstanding the provisions of subsection (a) above, pull-tabs may be distributed to another federal or state jurisdiction so long as all other provisions of this chapter are met.

RATIONALE:

Currently, sales to the Metlakatla Indian Reservation are covered in the reporting requirements by regulation. HOWEVER, there is no provision in statute for sales to them.

By adding this provision (b), such sales would be legitimate by both statute and regulation.

IF THIS PROVISION IS NOT INCLUDED, Metlakatla Indians would be forced to buy out of state, and the state loses all accounting of pull-tabs they purchase. Metlakatla is Alaska's only federally recognized Indian Reservation and as such, falls under the Federal Indian Gaming Reform Act. Tax on sales there are exempt by federal law.

Federal law allows gaming on Indian Reservations. Alaska acknowledges the tax exempt status, while failing to acknowledge that an Alaska distributor has the right under federal law to sell there.

Alaska Distributors should be allowed to continue to benefit from these sales.

I realize that this testimony is likely to raise as many questions as it answers. While most of the testimony you have heard concerns the 3rd party issue, It must be pointed out that OTHER LEGITIMATE CONCERNS can easily be accommodated in HB168 for the betterment of the entire gaming community.

I am available for your questions. You may use the TOLL-FREE number at the bottom of the page.

Sincerely

Roger N. Cunningham



*Alaska Cabaret, Hotel,  
Restaurant & Retailers Association*

*P.O. Box 104839 • Anchorage, Alaska 99510  
401 K Street • (907) 272-8133 • Fax: (907) 277-8640*

## 1991 POSITION PAPER ON REGULATION OF CHARITABLE GAMING

Public hearings on the subject of charitable gaming regulation were held several times in 1990 by the Department of Commerce and Economic Development and by the House Labor and Commerce Committee. Overwhelmingly, testimony demonstrated that non-profit and charitable organizations depend on income from charitable gaming as a major source of funds and favored continuation of the third party vendor system as it had evolved.

CHARR would favor legislation that maintains the ability of non-profit organizations to raise funds through gaming activities with the use of a third party vendor system. However, we recognize that the issue of third party vendors is not specifically addressed in the current statutes and feel that this is an appropriate issue for legislation to address. We recognize that the ultimate responsibility for the lawful conduct of gaming activities rests with the holder of the permit, but perhaps legislation could be drafted to define the relationship between the permittee and the third party vendor, specifying a minimum rate of return to the permittee and mandating that all transactions be carried out by check so that a clear audit trail to and from the mandated special gaming account will be maintained.

CHARR believes that there is a legitimate public interest to be safeguarded in proper regulation and oversight of charitable gaming activities, and we commend the efforts of the Department of Commerce and Economic Development in the attempt to do so. It is vital that the third party vendor system be maintained and formally addressed through legislation.

# C N G

## *Coalition for Non Profit Gaming*

December 30, 1990

Representative Davis Finkelstein  
3111 C Street, STE 465  
Anchorage, AK 99503

Dear Representative Davis Finkelstein:

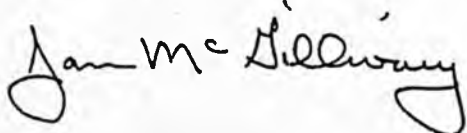
As you know the non-profits in Alaska who benefit from charitable gaming are in direct jeopardy from the Attorney General's decision to cease pull-tab games that engage a third party vendor at midnight December 31, 1990. Essentially, this means that much needed human services may have to close their doors.

The Coalition for Non-Profit Gaming represents a varied group of non-profits who wish to engage the legislative process in solving the problems of regulating charitable gaming. We are preparing to seek a restraining order allowing us the opportunity to work with the legislature if the Attorney General does not change his decision. Your support and assistance is sought in helping the non-profits in Alaska transition smoothly and democratically into a fair and equitable solution.

Please call should you have questions or comments regarding the third party vendor issue. Your attendance at CNG meetings is also encouraged and your office will be kept informed of CNG's activities.

Thanking you in advance for your time and consideration. I remain,

Sincerely yours;



Jan McGillivary, Acting Chair

TELECOPY COVER SHEET

Kenai Peninsula Builders Association

P.O. Box 1753 Kenai, Alaska 99611 (907) 776-5719

Fax - (907) 776-8925

TO: House Labor & Commerce Committee

ATTENTION: Rep. David Lindbergh FAX: 465-2864

FROM: Kenai Peninsula Builders Association

INSTRUCTIONS: Written Testimony HB 168 (3-5-91)

Please deliver to the House Labor & Commerce  
Committee - Thank you - Pat Vincent

DATE: March 5, 1991

NUMBER OF PAGES (not including cover sheet): 2

TRANSMITTED BY: Pat Vincent, Executive Officer.

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March 4, 1991

Representative David Finklestein, Chairman  
 House Labor and Commerce Committee  
 Alaska State Legislature  
 P.O. Box Y  
 Juneau, Alaska 99811

RE: Kenai Peninsula Builders Association written support of HB168

Dear Chairman Finklestein:

Thank you for holding the teleconference on March 1, 1991.

The Kenai Peninsula Builders Association, a non-profit trade organization involved in gaming since 1907, would like to take this opportunity to offer written comment on HB168, which will resolve the Third Party Vendor issue and allow non-profit organizations to again generate revenue through vendor sales. We recognize the immediate need to legalize vendor sales and we support HB168. We respectfully submit the following comments on this legislation for your consideration.

Sec. 7. AS 05.15.18 (d)

It is the opinion of the Kenai Peninsula Builders Association that this section should not be amended. Allowing qualified organizations to award a maximum of \$1,000,000 in prizes, and retaining the limit of \$500,000 in prizes awarded to those permittees who choose to contract with an operator encourages self-directed gaming sales and benefits the organizations who do not wish to contract with an operator. We feel that a distinction should remain between self-directed and operator-conducted gaming.

Sec. 10. AS 05.15.187 (e) (3)

Our association supports items (1) and (2), which would not allow a distributor to take orders from or sell pull-tabs to a vendor. Because of abuse in this area, we agree that the non-profit should have complete responsibility for placing pull-tab orders. However, we do not feel that it will benefit the permittee to restrict pull-tab deliveries to the vendor location and ask that item (3) be stricken. To require the permittee to warehouse and deliver heavy cases of pull-tabs seems unreasonable.

In addition, the Kenai Peninsula Builders Association continues to offer strong support for a Gaming Commission. A Commission seems to be the only way to address the complex issues associated with non profit gaming. The multi-million dollar gaming industry must be closely regulated and the penalties for those who fail to comply with the law must be severe. We are extremely concerned with the Department of Commerce's inability to enforce existing gaming regulations due to understaffing. More investigators and auditors are needed immediately to ensure state-wide compliance. Appropriation must be increased. Infractions continue and complaints about noncompliance go unanswered because the Division does not have enough investigators.

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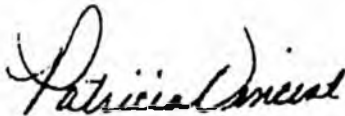
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Chairman Finklestein

Any input your Committee can give on this matter will be greatly appreciated by the majority of non-profits who willingly comply with the regulations. The few who choose to ignore or disobey the law undermine the public's perception of non-profit gaming and create a financial hardship for those of us who are legitimately competing for gaming dollars. It may be a waste of time to continue to write regulations which can not be enforced.

In closing, the Kenai Peninsula Builders Association would like to encourage the Committee to support a mandated educational requirement. We support earmarking revenue from the 3% state tax to fund educational programs for permittees, operators, distributors, and vendors. We respectfully suggest the educational component be held state-wide at least twice a year, and attendance of at least one educational program be a mandatory requirement for permit, licence, or endorsement renewal.

Your Committee's attention to our comments and suggestions will be appreciated.

Sincerely,



Patricia A. Vincent  
Executive Officer

cc: Glen Olds, Commissioner, Department of Commerce & Economic Development  
John Hansen, Gaming Manager, Division of Occupational Licensing  
Steve Burnett, President, Alaska State Home Builders Association

DT: Feb. 25, 1991

TO: John Hansen, Gaming Manager  
Div. of Occupational Licensing  
Dept. of Commerce & Economic Dev.

FR: Robert Thomas, Pres.  
Lottery Alaska, Inc.

RE: State Lottery Legislation

Inclosed please find a draft copy of a bill which could authorize a state lottery and serve as a vehicle to solve some of the problems currently inherent in the charitable gaming arena in Alaska. I have provided Representative Choquett with a copy of this draft, at his request. He has indicated some interest in possible sponsorship of such legislation.

As we have discussed previously, Lottery Alaska would support such legislation as long as certain elements were contained. Those elements are:

1. Enabling legislation would contain some mechanism for the majority of revenue generated to be made available to service providing charities within the state;
2. Intent language and appropriate provisions be included for the day-to-day operation of a state sanctioned lottery to be provided by a private contractor.

Advantages to the public and charitable agencies of such legislation are obvious and, for the most part, nondebatable. Some of these advantages are:

1. The public, through its participation in similar gaming activities, has demonstrated a strong interest in gaming but currently is only able to participate in those forms of gaming which are the least secure and most outdated. The only method of gaming which provides adequate security and accountability is that which has central control. Twenty-five years of state controlled lotteries in the "lower 48" provides ample examples of successfully administered lotteries with strong oversight, central control, and maximum protection for the consumer.
2. State sanctioned lotteries outside of Alaska generate revenues up to ten fold the levels of revenue currently being generated through similar activities in Alaska.
3. The suggested legislation would not change the customary charitable gaming industry in Alaska and would not negatively affect those service provider; or the entities receiving revenue from them. States which implemented lotteries where charitable gaming similar to Alaska's had been present have witnessed an increase in their level of charitable gaming.

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2/22/91  
J. Hansen

4. The suggested legislation would allow for a product mix (variety of lottery games) that would appeal to a total cross-section of the consumer base. One example; as a state sanctioned lottery, the Alaska Lottery could join multi-state lotto games offering multi-million dollar prizes. These games appeal to the broadest cross-section of consumers while generating revenue on a prorata share of participation. State lotteries differ from the current scenario of gaming in Alaska which depends on a small sector of the public spending relatively large amounts of discretionary income on gaming, rather than a large percentage of the population participating at a low expenditure level.

I would be more than happy to discuss this concept further. If you have questions, please call.

cc: Rep. Choquett

incl.

IN THE HOUSE

BY

HOUSE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

A BILL

\*Sec. 1. FINDINGS AND PURPOSE. (a) The legislature finds that

(1) non-profit health and human service agencies enhance the quality of life in the state by providing programs of assistance for those citizens with special needs beyond that being served by the current health and human service programs funded by the state;

(2) non-profit health and human service agencies provide programs of assistance in virtually all communities of the state;

(3) actual and projected reduced funding assistance by state government has and will continue to decrease both the level of service and the number of individuals receiving services from non-profit health and human service agencies;

(4) actual and projected reduced funding assistance by state government will continue to cause a reduction of the number of non-profit health and human service agencies in the state;

(5) the amount of revenue generated by a state lottery may be sufficient to maintain present levels of operation of the current health and human service agencies and help to perpetuate their unique and invaluable contributions to the quality of life in the state;

(6) the legislature will best serve the public interest by establishing a state lottery, the proceeds of which shall be deposited in a special account within the general fund to be appropriated by the legislature to fund first the necessary operations of non-profit health and human service agencies on a "need" basis and then other state programs as the proceeds allow.

(b) The purposes of this Act are to

(1) ensure the continued existence and operation of a health and human service agency network by creating a special account within the general fund know as the lottery grants account;

(2) establish the Alaska State Lottery Commission within the Department of Administration, to administer, promote, and conduct a state lottery, the proceeds of which shall be deposited in the lottery grants account of the general fund for appropriation by the legislature to fund grants to Alaska non-profit health and human service agencies and for other purposes as determined by the legislature.

\*Sec 2. AS 05 is amended by adding a new chapter to read:

CHAPTER 18. STATE LOTTERY.

ARTICLE 1. ADMINISTRATION.

Sec. 05.18.0101. CREATION OF ALSKSA STATE LOTTERY COMMISSION. The Alaska State Lottery Commission is established for the purpose of generating revenue for the support of non-profit health and human service providers in the State of Alaska, and for other expenses of the state. The Commission is an instrumentality of the state within the Department of Administration.

Sec. 05.18.020. POWERS OF THE COMMISSION. (a) The powers of the Commission are vested in the Board of Commissioners. The Commission consists of the commissioner of administration and four members appointed by the governor and subject to conformation by the legislature under AS 39.05.080. One member appointed to the Commission shall have at least three years of experience in the administration of physical and mental health related human service programs in the state; one member appointed to the Commission shall have at least three years of involvement in statutory and regulatory enforcement of charitable gaming, lotteries, or gambling enterprises; and two members appointed to the Commission shall be public members. Appointed members of the Commission shall qualify under AS 39.05.100. No more than three of the five

members may be members of the same political party. The governor shall designate an appointed member to serve as chair of the Commission.

(b) Appointed members serve staggered terms of four years, and may be reappointed. A vacancy on the Commission does not impair the authority of the Commission to exercise the powers and perform the duties of the Commission.

(c) The governor may remove a member of the Commission. A removal by the governor shall be in writing and shall state the reason for the removal. A member who is removed by the governor may not participate in Commission business and may not be counted for purposes of establishing a quorum after the person receives written notice of removal.

(d) An appointed member of the Commission is entitled to compensation at a rate of \$150 for each day the member is engaged in the actual performance of duties as a member of the Commission. The Commission may provide by regulation for compensation for partial days during which an appointed member is engaged in actual performance of duties as a member of the Commission.

(e) In addition to compensation under (d) of this section, an appointed member of the Commission is entitled to per diem and travel expenses authorized for members of boards and commissions under AS 39.20.180.

Sec. 05.18.030. MEETINGS. (a) The Commission shall meet at least quarterly at the call of the chair, at the request of a majority of the members, or at a regularly scheduled time set by the Commission.

(b) An action of the Commission is not binding unless taken at a meeting where three or more of the members are present and vote in favor of the action.

Sec. 05.18.040. DUTIES AND POWERS OF THE COMMISSION. (a) The Commission is responsible for the management of the lottery but shall contract with a service provider for day to day operation of the lottery.

(b) The Commission shall determine procedures for awarding the contract for operation of the day-to-day conduct of the lottery and provide for preferential consideration of Alaskan owned vendors.

(c) The Commission may condition the exercise of a power or duty delegated to the Contractor.

(d) In managing the lottery the Commission shall

(1) be responsible for the management of the financial and legal obligations of the lottery;

(2) generally manage the lottery on a self-sustaining basis for the purpose of revenue generation;

(3) determine policy direction for the operation and administration of the lottery;

(4) report to the governor and the legislature each quarter on the total lottery revenue, prize disbursement, and other expenses for the preceding quarter;

(5) report to the governor and the legislature each year, including a full and complete statement of lottery revenue, prize disbursement, and other expenses, and recommendations for changes in this chapter;

(6) report to the governor and the legislature as frequently as the Commission determines necessary on the reaction of state residents to the lottery, and on matters that require changes in the law to prevent violations or evasions of this chapter or to correct undesirable conditions in connection with the operation or administration of the lottery;

(7) monitor the operation of the lottery throughout the state; and

(8) study and investigate the operation and administration of the lottery laws of other states and federal laws that affect the lottery.

(b) The Commission may do all things necessary and appropriate to exercise the Commission's duties and powers under this chapter.

Sec. 05.18.050. REGULATIONS. (a) The Commission shall adopt regulations under the Administrative Procedure Act (AS 44.62) to establish

- (1) the type of lottery to be conducted;
- (2) the price of lottery products;
- (3) the numbers and sizes of the prizes for the winning lottery products;
- (4) the manner of selecting the winning products;
- (5) the frequency of the drawings or selections of winning lottery products;
- (6) the type and number of locations where lottery products may be sold;
- (7) the method to be used in selling lottery products;
- (8) the manner of payment of prizes to the holders of the winning lottery products;
- (9) the procedures for contracting with persons to be agents;
- (10) the manner and maximum amount of compensation to be paid agents;
- (11) the prizes that an agent or an employee of the agent can award; and
- (12) other matters necessary or desirable to carry out this chapter, to operate the lottery efficiently and economically, and to make the purchase of lottery products and the distribution of prizes convenient.

(b) The Commission shall adopt regulations under the Administrative Act (AS 44.\_\_\_\_\_) to establish

- (1) the qualifications to be met by nonprofit health and human service agencies for consideration of funding from the lottery grants program;
- (2) the procedures for nonprofit health and human agencies to apply for consideration for funding from the lottery grants account.

Sec. 05.18.070. DUTIES OF CONTRACTOR. (a) The Contractor shall

- (1) conduct the operation and day to day administration of the lottery;
- (2) contract with agents to sell lottery products;
- (3) meet at least quarterly with the Commission on the operation and administration of the lottery;
- (4) make available for inspection by the Commission, upon request, all books, records, files, and other information and documents of the Contractor;
- (5) advise the Commission and make recommendations to improve the operation and administration of the lottery;
- (6) suspend or revoke a contract issued under this chapter for a violation of this chapter or the regulations adopted under this chapter;
- (7) subject to the approval of the Commission, enter into contracts for the operation and administration of the lottery, except that agent contracts are not subject to the approval of the Commission; and
- (8) provide each month to the Commission a full and complete statement of the lottery revenue, prize disbursements, and other expenses for the preceding month.

(b) The Contractor may not employ a person who has been convicted, including conviction based on a guilty plea or plea of no contest, of a felony or other crime if the felony or other crime is substantially related to the qualifications, functions, or other duties of the employee.

Sec. 05.18.080. SUBPOENAS. (a) The Commission may subpoena witnesses and documents in a matter subject to the jurisdiction of the Commission. The Commission may administer oaths and affirmations to persons whose testimony is required.

(b) If a person fails to obey a subpoena, or if a person refuses to answer a relevant question or to submit a document when ordered to do so by the Commission, the

Commission may apply to the superior court for an order directing the person to comply with the subpoena or the order. The court may order the person to comply.

## ARTICLE 2. LOTTERY RETAIL SALES AGENTS.

Sec. 05.18.100. LOTTERY RETAIL SALES AGENTS. (a) The Contractor may contract with persons on behalf of the Commission to be lottery retail sales agents.

(b) A lottery retail sales agent may

- (1) sell lottery products;
- (2) award prizes as allowed under regulations of the Commission; and
- (3) hire employees to perform the services under (1) and (2) of this

subsection.

(c) An agent shall supervise each employee of the agent in the employee's performance of services under (b) (1) and (2) of this section.

## Sec. 05.18.110. QUALIFICATIONS FOR SALES AGENT CONTRACTS.

(a) A person who wishes to contract with the Contractor to be a sales agent shall apply on a form provided by the Commission. The Contractor may charge the applicant a fee to cover the costs of processing the application and checking the background of the applicant.

(b) Before contracting with an applicant to be an agent, the Contractor shall consider

- (1) the financial responsibility and security of the applicant and the applicant's business or activity;
- (2) the accessibility of the applicant's place of business or activity to the public;
- (3) the ability of the applicant to promote the retail sale of lottery products;
- (4) the sufficiency of existing agent contracts to serve the public convenience;
- (5) the volume of expected sales; and

(6) other factors the Contractor determines are relevant.

(c) The Contractor may not contract with an applicant to be an agent if the applicant

(1) is an individual who is not a resident of the state or is not a corporation, partnership, or association licensed to conduct business in the state;

(2) would be engaged in business exclusively as an agent;

(3) is an individual under the age of 18; or

(4) has been convicted of a felony that is substantially related to the functions or duties of an agent or gambling misdemeanor, including a conviction based on a guilty plea or plea of no contest.

Sec. 05.18.120. DURATION OF SALES AGENT CONTRACTS. The Contractor may contract with an agent for a term of not more than two years. subject to AS 05.18.110, the Contractor may renew the contract for successive terms of not more than two years.

Sec. 05.18.130. REVOCATION OR SUSPENSION OF SALES AGENT CONTRACTS. (a) The Contractor may suspend or cancel the contract of an agent who violates 05.18.320.

(b) The Contractor may suspend or cancel the contract of an agent who violates a regulation adopted under this chapter or a provision of this chapter other than AS 05.18.320.

Sec. 05.18.140. COMPENSATION OF SALES AGENTS. (a) The Contractor shall establish the levels of compensation for agents. The contractor may establish bonus or incentive awards.

(b) When establishing the compensation for sales agents, the Contractor shall consider

(1) the time and the cost of overhead necessary to make the lottery products available at convenient times and for sufficient hours to accommodate the public;

(2) the time necessary for an agent to keep adequate records of the sales of lottery products and to prepare the deposits and reports required under AS 05.18.150;

(3) other criteria the Commission considers relevant.

Sec. 05.16.150. DEPOSIT OF RECEIPTS AND REPORTS. (a) The Contractor shall deposit to the credit of the state in a bank designated by the commissioner of administration all net due proceeds from the sale of lottery products;

(b) The Commission shall determine the schedule for deposits of net due proceeds by the Contractor.

(c) Every month the Contractor shall file with the Department of Administration summary reports of the receipts and transactions in the sale of lottery products.

### ARTICLE 3. PRIZES.

Sec. 05.18.200. ASSIGNMENT OF PRIZES. A person may not assign a right to a prize under this chapter. A prize may be paid to a person other than the prize winner under a court order or to the estate of a deceased prize winner or to the Department of Administration for deposit in the general fund to satisfy a judgment in favor of the state against the prize winner. The state is discharged of all further liability when a prize has been paid under this section.

Sec. 05.18.210. PAYMENT OF PRIZES TO PERSONS UNDER 18 YEARS. (a) If a person entitled to a prize is under the age of 18 years, and if the prize is \$5,000 or less, the Commission may deliver the prize to an adult member of the minor's family, or to a guardian of the minor, in the form of a check or draft payable to the order of the minor. If the prize is more than \$5,000, the Commission may deliver the prize by depositing the amount of the prize in a bank to the credit of an adult member of the minor's family, or a guardian of the minor, as custodian for the minor. The person named as custodian shall have the same duties and powers as a person designated as a custodian under AS 45.60.

(b) The state is discharged of all further liability after payment of prize to a minor under this section.

(c) In this section, the terms "bank," "guardian," and "member" of a "minor's family" have the meanings given in AS 45.60.091.

Sec. 05.18.220. UNCLAIMED PRIZE MONEY. The Commission shall retain unclaimed prize money for the person entitled to it for one year after the prize is awarded. The prize may not be claimed after one year from its award. If the winner does not claim the prize money within the year, the Commission shall transfer the money and accrued interest to the lottery grants account.

#### ARTICLE 4. MISCELLANEOUS PROVISIONS.

Sec. 05.18.300. LOTTERY GRANTS ACCOUNT AND APPROPRIATIONS. There is created in the general fund the lottery grants account. The account consists of the proceeds received from the sale of lottery products and all other money credited or transferred to the account. The commissioner of administration shall separately account for money deposited in the account. The annual estimated balance in the account shall first be used by the legislature to make appropriations to the lottery grants account to carry out the purposes of this chapter. That portion of the annual estimated balance in the account that is not necessary for the support of the health and human service agencies lottery grants account may be appropriated to other purposes as the legislature considers appropriate.

Sec. 05.18.310. AUDIT. The Commission shall have an audit of the books and accounts of the contractor performed at least once each year by certified public accountants. The Commission may have special audits performed at any time on its own motion. The Commission shall file a copy of each audit with the commissioner of administration and the legislature.

Sec. 05.18.320. PROHIBITED ACTS. (a) A person may not

- (1) act as an agent or sell a lottery product unless the person has a contract with the Commission to be an agent, or is an employee of an agent and sells lottery products or awards lottery prizes under the supervision of the agent;

(2) sell a lottery product at a price greater than that fixed by the Contractor;

(3) sell or offer to sell a lottery product to a person under the age of 18;

(4) knowingly present a counterfeit or altered lottery product for payment or transfer a counterfeit or altered lottery product to another person to present for payment;

(5) with intent to defraud, falsely make, alter, forge, utter, pass, or counterfeit a lottery product; or

(6) impersonate a lottery representative.

(b) An agent, a member of the Commission, or an officer or employee of the Contractor may not purchase a lottery product or receive a lottery prize.

(c) An agent may not willfully withhold funds owed to the Contractor.

(d) This section does not prohibit a person from giving a lottery product to another person of any age.

Sec. 05.18.330. ASSIGNMENT OF CONTRACTS. A person who enters into a contract under this chapter may not assign the contract without the approval of the Commission.

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

Sec. 05.18.980. APPLICABILITY OF OTHER LAWS. Unless specifically provided otherwise in this chapter, the following laws do not apply to the operations of the Commission:

(1) AS 05.15;

(2) state procurement laws, including AS 36.30, except as specifically provided in that chapter.

Sec. 05.18.990. DEFINITIONS. In this chapter, unless the context requires otherwise.

(1) "agent" means a person who has contracted with the commission to be a lottery retail sales agent under this chapter;

(2) "agent contract" means a contract under AS 08.18.100 between the commission and an agent;

(3) "Commission" means the Alaska State Lottery Commission;

(4) "Contractor" means the vendor under contract with the Commission to conduct day-to-day operations of the lottery;

(5) "lottery" means the lottery established and operated under this chapter;

(6) "lottery product" means a ticket, receipt, card, or other item, except a lottery prize, received by a person from an agent or an employee of an agent as evidence of participation in the lottery;

(7) "operation and administration" includes accounting, sales, promotion, enforcement, and security;

(8) "person" has the meaning given in AS 01.10.060 and also includes an estate, receiver, trustee, assignee, referee, or other person acting in a fiduciary or representative capacity, whether appointed by a court or otherwise, and a department, commission, agency or instrumentality of the state, including municipalities and the agencies and instrumentalities of municipalities.

\*Sec. 3. AS 36.30.015(e) is amended to read:

(LANGUAGE NECESSARY FROM EXECUTIVE ORDER #50, SHOULD BE SIMILAR TO THAT WHICH ESTABLISHES THE ALASKA PUBLIC BROADCASTING COMMISSION)

\*Sec. 4. AS 36.30.050(c) is amended to read:

(c) The lists may be used by the chief procurement officer or an agency when issuing invitations to bid or requests for proposals under this chapter. The lists may be

used by the Alaska Legislative Council, the court system, the Alaska State Lottery Commission, the Alaska State Building Authority, and the Alaska Railroad Corporation.

\*Sec. 5. AS 36.30.990(1) is amended to read:

(1) "agency" means a department, institution, commission, division, authority, public corporation, the Alaska Pioneers' Home, or other administrative unit of the executive branch of the state government, except for the University of Alaska, the Alaska State Building Authority, the Alaska State Lottery Commission, and the Alaska Railroad Corporation; it does not include a regional Native housing authority created under AS 18.55.996, or a regional electrical authority created under AS 18.57.020;

\*Sec. 6. AS 39.25.110(11) is amended by adding a new subparagraph to read:

Alaska State Lottery Commission;

\*Sec. 7. AS 39.50.200(b) is amended by adding a new paragraph to read:

Alaska State Lottery Commission (AS 05.18).

\*Sec. 8. Sections 1, 2, 6, and 7 of this Act take effect July 1, 1987.

\*Sec. 9. Sections 3 - 5 of this Act take effect on the effective date of sec. 2, ch. 106, SLA 1986.

*Charitable Gaming Bill Suggested by Mr. Jim Fisk*

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA: (Kodiak 486-7088)

\*Section 1. AS 05.15 is amended by adding a new section to Article 2 to read:

Sec. 05.15.188. PULL-TAB SALES BY AGENTS ON BEHALF OF PERMITTEES AND OPERATORS; AGENT REGISTRATION, ENDORSEMENT. (a) A permittee or operator may contract with an agent to sell pull-tabs on behalf of a permittee or operator.

(b) A permittee or operator that contracts with an agent to sell pull-tabs on the permittee's or operator's behalf shall first register the agent with the department on a form prescribed by the department. The annual agent registration fee is \$100 (one hundred dollars).

(c) Upon approval of the agent registration, the department will issue an endorsement to the permittee's permit or operator's license that authorizes the conduct of pull-tab sales at that agent location.

(d) The endorsement issues under (c) of this section is an extension of the permittee's or operator's privilege under AS 05.15.100 to conduct pull-tab series until a permit or license containing the endorsement for the agent location has been posted by the permittee or operator in the registered agent establishment. The endorsed permit or license must be clearly visible to the gaming public.

(e) A separate endorsement shall be issued for each agent location. It is the responsibility of the registered agent to inform the permittee or operator if it changes ownership, physical location or mailing address of a selling location., it is the responsibility of the permittee or operator to inform the department of such location change and to request that the department issue a corrected endorsement.

(f) The agent shall surrender its endorsed permit or license to the permittee or operator when it discontinues the sale of pull-tabs on behalf of that permittee or operator. The permittee or operator shall return to the department the endorsed permit or license.

(g) Failure to comply with sections (e) or (f) above after an agent change may be grounds for suspension of a permittee's permit, operator's license, or agent's endorsement.

(h) A permittee or operator that uses an agent to sell pull-tabs on its behalf shall enter into a written contract with that agent. The contract as well as an subsequent revision(s) thereto are subject to review by the department. If the contract or revision(s) contain agreements counter to the provisions of this chapter, or the regulations adopted under it, the department may declare the contract void. An agent may contract with more than one permittee and/or operator simultaneously so long as all other provisions of this chapter are met.

(i) An agent may not purchase nor make payment for a pull-tab series from any source. Only a permittee's member-in-charge, alternate-member-in-charge or an operator may purchase pull-tabs from a licensed distributor.

→ (j) A permittee shall receive no less than 40% (forty percent) of ideal net from an agent or operator for pull-tab sales. All pull-tab game related expenses shall be paid by the agent or operator from the balance of their 60% (sixty percent).

→ (k) An agent shall pay to the permittee or operator an amount equal to the ideal net, less the compensation paid the agent, upon delivery of a pull-tab series to the agent's location. The amount required to be paid by the agent under this subsection must be deposited directly into the gaming checking account of the permittee or operator.

→ (l) An agent that fails to meet its contractual agreements with a permittee or operator, fails to comply with the requirements of this chapter or a regulation adopted under it, or the agent or agent's owner or manager that is convicted <sup>FELONY</sup> ~~OF~~ <sub>NOR</sub> forgery, fraud, theft, or a crime of dishonesty related to the activities governed by this chapter, shall be prohibited ~~\_\_\_\_\_~~ from any further involvement in any activity authorized by or conducted under AS 05.15.

(m) An agent, its manager(s) nor its employee(s) may not purchase a pull-tab from any series sold at that agent location. A person who knowingly violates this subsection is guilty of a class B misdemeanor.

(n) An owner or manager of a registered agent may not also serve as a permittee's member-in-charge or alternate-member-in-charge. An owner or manager of a registered agent may not also hold a managerial or ownership position with a licensed operator.

\*Section 2. AS 05.15 is amended by REPEALING section AS 05.15.183 of Sec. 2. and adding the following section in its place.

Sec. AS 05.183. GAMING DISTRIBUTOR'S LICENSE. (a) A person may not distribute pull-tab games, bingo paper, or other supplies or equipment used or consumed in the conduct of activities authorized by this chapter unless that person has received a gaming distributor's license issued by the department.

(b) The department may issue a gaming distributor's license to a natural person that

- (1) resides in the State of Alaska;
- (2) holds a valid Alaska Business License;
- (3) maintains a place of business in compliance with all applicable local zoning ordinances;
- (4) holds a  ownership position in the proprietorship, partnership, or corporation of the distributor;
- (5) if the distributor does business as a corporation, shows proof of proper registration with the Department of Commerce and Economic Development, Division of Banking, Securities and Corporations;
- (6) applies on the form provided by the department;
- (7) pays an annual fee of \$1,000.

(c) Pull-tabs, bingo paper, or other supplies or equipment used or consumed in the conduct of activities authorized by this chapter may be distributed only from a location within the state. A person may not distribute pull-tabs, bingo paper, or other supplies

or equipment used or consumed in the conduct of activities authorized by this chapter directly to another person from a location outside this state.

(d) Distribution from a location within the state is deemed to have occurred when:

(1) a purchase order as required under AS 08.15.187 is issued by a permittee or operator to a gaming distributor within the state;

(2) payment for such order is tendered to the gaming distributor within the state;

(3) all books and sales records of the gaming distributor are maintained at a location within the state;

(4) the distributor maintains a manual, mechanical, or electronic system to instantly recall each series of pull-tabs by serial number; each invoice by invoice number and/or customer name for any sale occurring within the pervious 24 months.

Sec. 3. AS 05.15 is amended by adding a new section to Article 2.

Sec. AS 05.15.186. SALES BETWEEN LICENSED DISTRIBUTORS. (a) Pull-tabs may be sold from one licensed distributor to another licensed distributor. Distributors shall pay the tax at the first time of sale as required under AS 05.15.184(b).

\*Sec. 4. AS 05.15 is amended by adding new wording to AS 05.15.185 of Article 2 as follows:

Sec. 05.15.185 DISTRIBUTION OF [PULL-TAB GAMES] GAMING

SUPPLIES AND EQUIPMENT. (a) Each series of pull-tabs distributed in the state shall be sealed and have a serial number label issued by the National Association of Fundraising Ticket Manufacturers or other serial number label approved by the department and may be distributed only to a municipality or qualified organization that has obtained a permit issued under this chapter or to an operator on behalf of an authorizing permittee.

(b) Notwithstanding the provisions of this subsection, pull-tabs, bingo paper, and other supplies and equipment used or consumed in the conduct of an activity under this chapter, may be distributed to any other federal, state, or national jurisdiction so long as all other provisions of this chapter are met.

(c) Permittees and operators are required to provide the licensed gaming distributor with a written, serial numbered purchase order for each order placed. A complete purchase order file shall be maintained by the permittee or operator.

(d) Licensed distributors are required to list the purchase order number on each invoice and maintain a complete file of purchase orders received from permittee or operators under (c) of this subsection.

\*Section 4. AS 05.15.210 is amended by adding new subsections to read:

(35) "ideal net" means an amount equal to the total amount of receipts that would be received if every individual pull-tab ticket in a series were sold at face value, less the prizes awarded for that series;

(36) "permittee" means either a municipality or qualified organization;

(37) "agent" means a business whose primary activity is not regulated by AS 05.15 but which is engaged in the sale of pull-tabs on behalf of a permittee or operator and holds a business license under AS 43.70 as is

(i) a retail establishment;

(ii) an eating establishment; or

(iii) an establishment licensed under AS 04.11.

\*Section 5. AS 05.15 is amended by adding a new phrase to AS 05.15.160(2) of Article 2 to read:

(C) Compensation paid to a registered agent.

\*Section 7. AS 05.15 is revised by changing the wording in subsection (4) of AS 05.15.095 as follows:

(4) the licensed [PULL-TAB DISTRIBUTOR] gaming distributor or the distributor's agent; or

\*Section 8.

→ An operator licensed under this chapter shall pay a fee of 5% (five percent) of its net income based on the annual report filed under AS 05.15.083(b).

\*Section 9. AS 05.15.200 is amended to include:

(c) CIVIL FINES. Any violation of this chapter will result in a notice of violation being issued and a civil fine assessed by an authorized employee of the department. The fine amounts are as follows:

1st violation notice \$100  
2nd violation notice \$250  
3rd violation notice \$500.

These notices are for the same offense.



# Alaska State Legislature

3/1/91

House Labor + Commerce  
Committee

Please enter into the record my testimony to the

Valley Marine Corps League  
committee name

committee on

Charitable Gaming dated \_\_\_\_\_  
bill/subject

All establishments who participate should have a chart saying how many of the top ~~winners~~ winners are still left.

Accounts should be counted daily ~~so~~ so this chart could be published

Signed:

Charles B. Catterburg

Testifier

Commandant Valley Marine Corps League

Representing (Optional)

P.O. Box 872894

Address

Wasilla, AK 99687

Phone No.

376-7615



If possible, please address \_\_\_\_\_ before 5 p.m.

# Alaska State Legislature

Please enter into the record my testimony to the HL L + C  
committee name  
committee on \_\_\_\_\_, dated 3-1-91  
bill/subject

Can a local business sell pull-tabs for us, WACD? They do NOT charge us any thing for this community service. Can this continue in this way? The owners and employes are all members of our Willow Area Community Org. so there are no membership fees and the members consist of our whole community.

Signed: Harry Lee Carter / Vice Chair of the Willow Area Community Organization  
Testifier

Representing (Optional)

P.O. Box 1027

Address

Willow Ave 99688

Phone No.

495-6633



# Alaska State Legislature

Please enter into the record my testimony to the House Labor & Commerce Committee  
 committee name  
 committee on House Bill # 168, dated 1 MAR 91  
 bill/subject

- if we sub-contract out our permits we can only receive 1/2 million of action.
- if we don't sub-contract our permits then we can receive 1 million of action.
- Senior Centers do not have the ability to run a program that would allow any great benefit to off set cost in funding.
- I know other non-profits have the same problems with full-time. We don't have the volume to make it worth while.
- \* Sec 7 instead of 500,000 it should read 1,000,000 for organization that contracts with an operator on its behalf.

Signed: Noel C Matteson  
 Testifier  
Chignik Senior Center / Vice Pres of AOAP  
 Representing (Optional)  
HC 78 Box 2890, Chignik AK 99567  
 Address  
(907) 688-2677  
 Phone No.

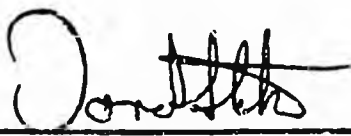


# Alaska State Legislature

Please enter into the record my testimony to the LABOR & COMMERCE  
 committee name  
 committee on H.B. 168 , dated 7-25-91  
 bill/subject

THE BILL CURRENTLY BEFORE THIS COMMITTEE  
 WILL ACT TO RATIFY THE ACTIONS OF THE  
 MAJORITY OF THE CHARITABLE ORGANIZATIONS IN  
 THE STATE. I AM THE PRESIDENT OF THE BIG  
 LAKE LIONS CLUB. MOST OF OUR CHARITABLE  
 PROJECTS HAVE BEEN FUNDED BY INCOME  
 GENERATED BY VENDOR SALES OF PULL TABS.  
 WE ARE GREATLY IN FAVOR OF THE PASSAGE  
 OF THIS BILL TO ALLOW US TO CONTINUE  
 TO SERVE THE COMMUNITY.

THANK YOU.

Signed:  DANA STOKER  
 Testifier

BIG LAKE LIONS CLUB AND AMERICAN LEGION POST 25

Representing (Optional)

500 N. MAIN ST # B WASILLA 99687

Address

373-6101

Phone No.



# Alaska State Legislature

Please enter into the record my testimony to the House Labor & Commerce  
 committee name  
 committee on Charitable Gaming, dated March 1, 1991  
 bill/subject

RE: SECTION 1. AS 05,15,150 - use of PROCEEDS.

DUE TO THE WORDING OF THIS SECTION, NON-PROFIT GROUPS ARE NOT ALLOWED TO CONTRIBUTE PULL-TAB FUNDS TOWARD NOME - PROVIDENYA TRAVEL. WE ARE IN THE MIDDLE OF A GROWING CULTURAL EXCHANGE PROGRAM, WITH ARTISTS, MUSICIANS AND DANCERS GOING BACK AND FORTH. WE HAVE CONTRIBUTED IN THE PAST, AND RECEIVED NOTICES OF VIOLATION. WE HAD OVERLOOKED THIS REG. UNINTENTIONALLY.

THIS TYPE OF CULTURAL EXCHANGE GREATLY BENEFITS THE STATE, AND THE PEOPLE OF THIS COMMUNITY. ALL PROVIDENYA - NOME TRAVEL IS HANDLED BY A LOCAL AIRLINE, BEBINO AIR. THIS IS TRUE WHETHER TRAVEL ORIGINATES IN PROVIDENYA OR NOME.

WE WOULD LIKE A REGULATION CHANGE PERMITTING NON-PROFIT GROUPS TO CONTRIBUTE TO SOVIET - ALASKA TRAVEL, EITHER A BLANKET REG. OR ONE FOR SPECIFIC INSTANCES, WITH APPROVAL OF THE COMMISSIONER

Signed: AL R. BEASLEY  
 Testifier

NOME ARTS COUNCIL (President) *also, in behalf of other Nome No. Profit orgs.*  
 Representing (Optional)

Box 1057 Nome AK  
 Address LIONS CLUB  
 NOME ROTARY  
 NOME ESKIMO

463-2534  
 Phone No.

February 25, 1991

David Finkelstein  
House of Representatives

Dear Sir,

This letter is in regards to the current situation in the pull-tab industry. I am an assistant bookkeeper for DAV 1,2, and 3. At this time, we are on a very tenuous schedule, not knowing, from day to day if we will have a job. I also took a salary cut because there is just not any income coming in.

With the regulations the way they currently stand many of our customers are pulling out, therefore we are in a gloomy situation. Please resolve either through, legislation or new emergency regulations allowing, bartenders or their employees to sell pull-tabs.

I am not the only one in this predicament, I have several co-workers in the same boat, and we would be grateful if this situation could be resolved as soon as possible.

Respectfully,

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

George Pollitt

cc John Hansen  
Gary Amendola  
Mike Szymanski  
Doug Blankenship

February 25, 1991

David Finkelstein  
House of Representatives

RE: Pull-Tab Industry

Dear Sir,


I am an employee for DAV Chapters 1,2, and 3. At the current time, I am under a great deal of stress, not knowing, when I come in the next morning if my job will be there for me.

With the regulations the way they stand, we have lost, or we are loosing our third party vendors.

Please resolve this, either through legislation or new emergency regulations allowing, bartenders or their employees to sell pull-tabs.

Please help me and many others to keep our jobs.

Respectfully,



Carol Corven

cc John Hansen  
Mike Szymanski  
Gary Amendola

House Bill 168: "An Act licensing and regulating pull-tab vendors; authorizing sales of pull-tabs between pull-tab distributors; requiring the giving of notice if a charitable gaming activity location changes; amending the powers of the Department of Commerce and Economic Development to revoke and suspend charitable gaming permits and licenses; restricting the ability of owners, managers or employees of vendors and persons holding charitable gaming permits or licenses to purchase certain pull-tabs; authorizing the Department of Commerce and Economic Development to prohibit violations of the charitable gaming laws; relating to false statements in charitable gaming license and permit applications; relating to maximum annual prize awards; relating to the collection of the pull-tab tax; and providing for an effective date."

The Department of Commerce and Economic Development supports passage of HB 168.

We have some concerns we would like addressed in public testimony and they are so noted.

The proposed legislation in HB 168 by recognizing and setting standards for "third party vendors" will greatly aid in bringing stability and equality of enforcement to the charitable gaming industry.

The department was given responsibility for administration of the Alaska Gaming Reform Act in July of 1989.

Of major concern to the department has been the so-called "third party vendor" issue. Prior to January 1, 1991 and the issuance of the Attorney General's opinion of October 24, 1990, both permittees and operators used vendors (e.g., retail outlets, bars, restaurants) to sell pull-tabs on their behalf. That activity has stopped, except for a very limited basis. The concerns addressed below are directly related to the Bill Analysis and outlines what the department feels is minimally necessary to properly administer, license, and regulate vendors. For those sections that we feel need modifications, we have prepared draft language. Should legislation recognizing vendors as an authorized class not be passed this session, the emergency regulations adopted January 16, 1991 will be made permanent as well as those proposed regulations of November 6, 1990 on which we have already held public hearings. Vendors cannot be authorized by regulation to conduct gaming activity.

Section 4. AS 05.15.095. GENERAL PROVISIONS RELATING TO THE FILING OF APPLICATIONS AND REPORTS AND PAYMENT OF FEES.

We feel that subsection (a) should also be amended to include who may sign the vendor endorsement application and any other required documentation. This is an opportunity to technically clean up the existing Gaming Reform Act of 1988. We propose the following language:

AS 05.15.095(a) is amended to read:

(6) the owner or owner's agent of a retail establishment, an eating establishment, or an establishment licensed under AS 04.11.

Section 7. AS 05.15.180. LIMITATIONS ON AUTHORIZED ACTIVITY.

(g) This section would eliminate the prize awards limitation placed on permittees that contract with a licensed operator to conduct the gaming activities on their behalf and would make equal the allowable prize awards for both the permittee and operator. Prior to passage of the Gaming Reform Act of 1988, the prize limitation was set at \$200,000. The possibility exists that some operators might cut down on the number of charities they represent if they can make their profit goal from a smaller number of charities.

We recommend that the charities (permittees) have an opportunity for public testimony on this issue.

Section 12. AS 05.15.188. PULL-TAB SALES BY VENDORS ON BEHALF OF PERMITTEES AND OPERATORS; VENDOR ENDORSEMENT.

Subsection (d) allows a copy of the permit. To eliminate numerous infractions, the department now issues only site-specific permits or licenses. The word "copy" should be stricken. This section which was originally proposed by the department requires three separate permits or licenses in the instance of a permittee contracting with an operator who also contracts with a vendor. After consultation with the sponsor of HB 168, we suggest this is burdensome and costly for all parties and now believe only the vendor endorsement should be required to be posted at the vendor locations. Therefore, we propose the following language:

(d) The endorsement issued under (c) of this section is an extension of the permittee's or operator's privilege under AS 05.15.100 to conduct pull-tab sales. A vendor may not sell a pull-tab series until the endorsement for the new vendor location and the permit or license has been posted at the vendor location for which the endorsement was issued. The endorsement must be clearly visible to the gaming public.

Subsection (g) requires a written contract between the vendor and permittee or operator. However, it only allows that the department MAY inspect the contract.

The department proposes the following language:

(g) A permittee or operator that uses a vendor to sell pull-tabs on its behalf shall enter into a written contract with that vendor and a copy of the contract must be submitted to the department for approval. If the contract contains provisions that violate this chapter or the regulations adopted under it, the department may declare the contract void and refuse to issue a vendor endorsement for that location.

Subsection (i) requires that the contract between the vendor and permittee or operator must provide that the permittee or operator receive no less than 60 percent of the ideal net. It is conclusive that, where the permittee and vendor have entered into a contract, the permittee will receive no less than 60 percent of the ideal net. However, when a permittee contracts with an operator that uses vendors, the 60 percent of ideal net received by the operator is not required to be turned over in whole to the permittee. The operator is then allowed to deduct expenses from this amount and turn over the remaining proceeds to the permittee or simply pay the permittee the minimum 15% of adjusted gross receipts, with the operator retaining the balance as their operator fee. To safeguard the intent of the portion of proceeds that is received by the charity (permittee), we would encourage public testimony from the charities on minimum percentage they would earn if a "third party vendor" were used by the operator. We would endorse limiting the third party vendor to 30-35 percent. If the minimum percentage of adjusted gross receipts method is used, the department suggests 20 percent instead of the current 15 percent would be more appropriate.

At this time, the department also feels that the minimum 15 percent of adjusted gross income required to be paid to the permittee is insufficient for pull-tabs.

If this bill fails to pass this session, as SB 501 and HB 512 failed to pass last session, we will adopt proposed regulations accordingly and set expense limitations to ensure expenses are kept to a reasonable limit as provided by Alaska Statute 05.15.160..

As a whole, this bill may not address all the gaming issues the department has concerns with, but it would clearly authorize the use of vendors and provides the necessary authority for the department to implement those provisions.

*Glenn A. Olds*  
Glenn A. Olds, Commissioner

Date: 3/5/91

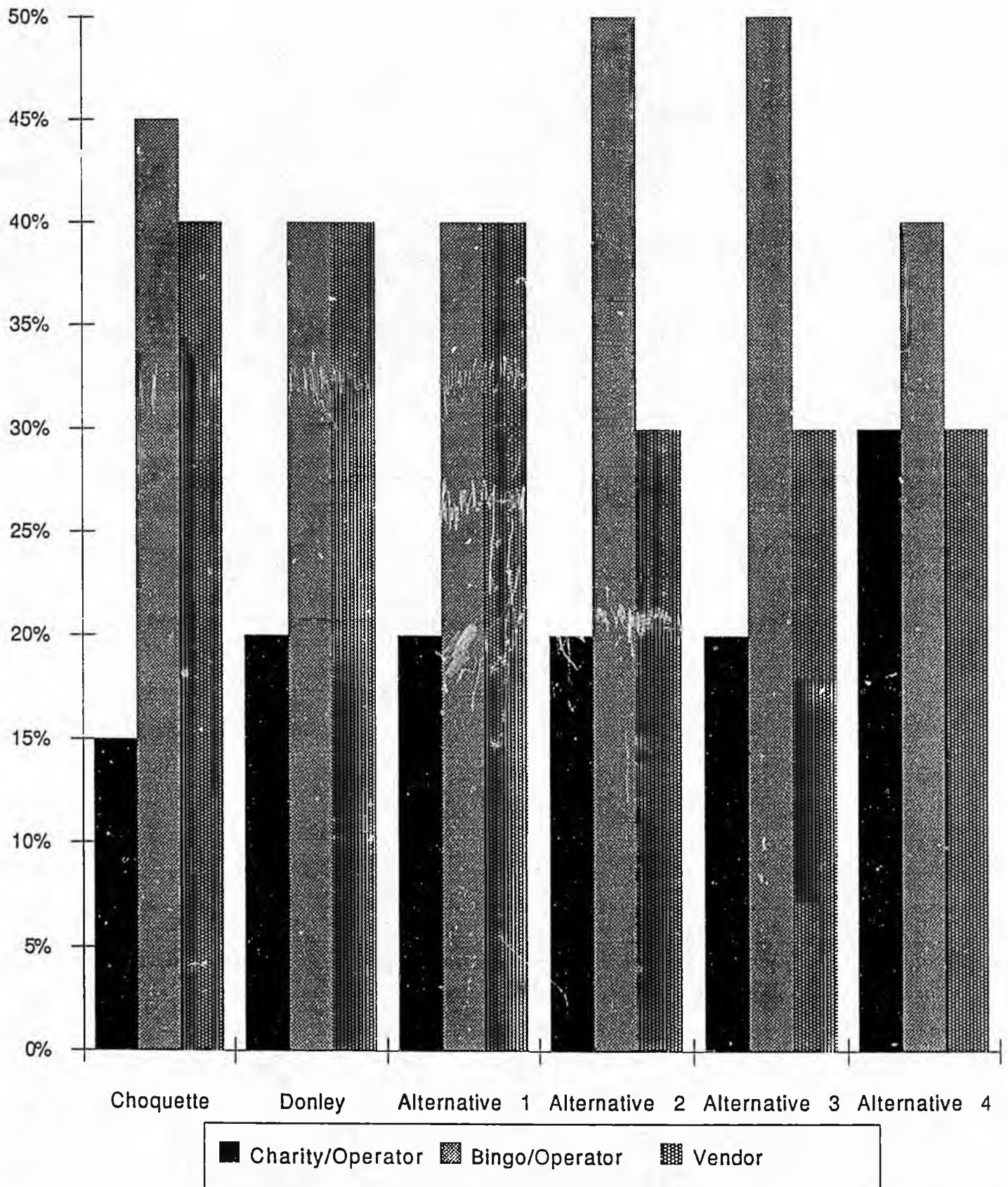
% GAMING BILL

	A	B	C	D	E	F	G	H
1	Charity/Operator	Charity/SD	Bingo/Operator	Rippie/Operator	Vendor			
2								
3	15%		45%		40%			
4	15%			45%	40%		CHOQUETTE	ORIGINAL
5		60%			40%			
6								
7								
8	20%		40%		40%			
9	50%			10%	40%			
10		60%			40%		DONLEY	AMENDMENT
11								
12	20%		40%		40%			
13	40%			20%	40%	ALTERNATIVES		
14		60%			40%			
15								
16	20%		50%		30%			
17	50%			20%	30%			
18		70%			30%			
19								
20	20%		50%		30%			
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24	30%		40%		30%			
25	50%			20%	30%			
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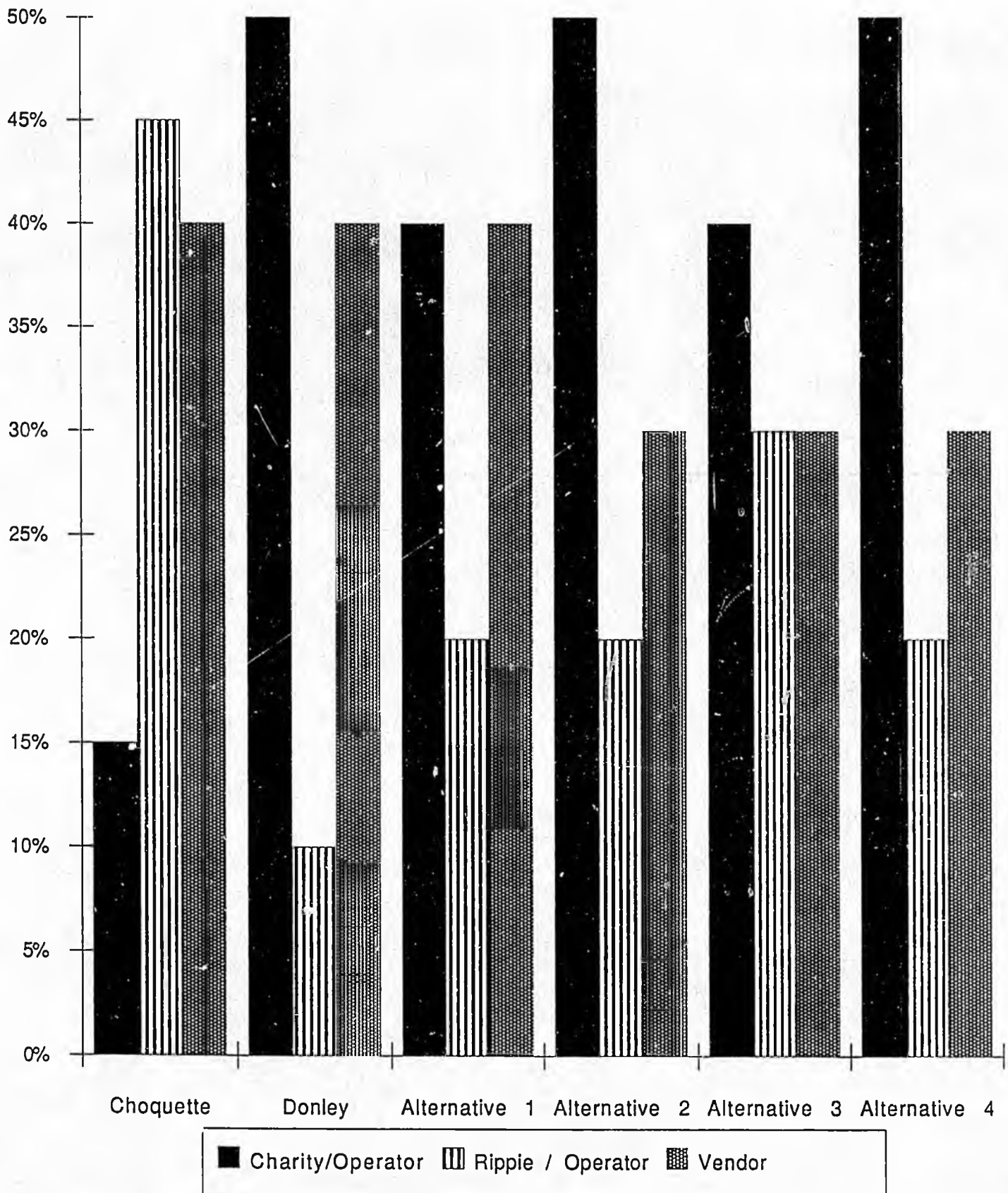
% GAMING BIL2

	A	B	C	D
1	Bill	Charity/Operator	Bingo/Oper.	Vendor
2	Choquette	15%	45%	40%
3	Donley	20%	40%	40%
4	Alternative 1	20%	40%	40%
5	Alternative 2	20%	50%	30%
6	Alternative 3	20%	50%	30%
7	Alternative 4	30%	40%	30%
8				
9		Charity/Operator	Rippie/Oper.	Vendor
10	Choquette	15%	45%	40%
11	Donley	50%	10%	40%
12	Alternative 1	40%	20%	40%
13	Alternative 2	50%	20%	30%
14	Alternative 3	40%	30%	30%
15	Alternative 4	50%	20%	30%
16				
17	Bill	Charity/Self Dir.	Vendor	
18	Choquette	60%	40%	
19	Donley	60%	40%	
20	Alternative 1	60%	40%	
21	Alternative 2	70%	30%	
22	Alternative 3	70%	30%	

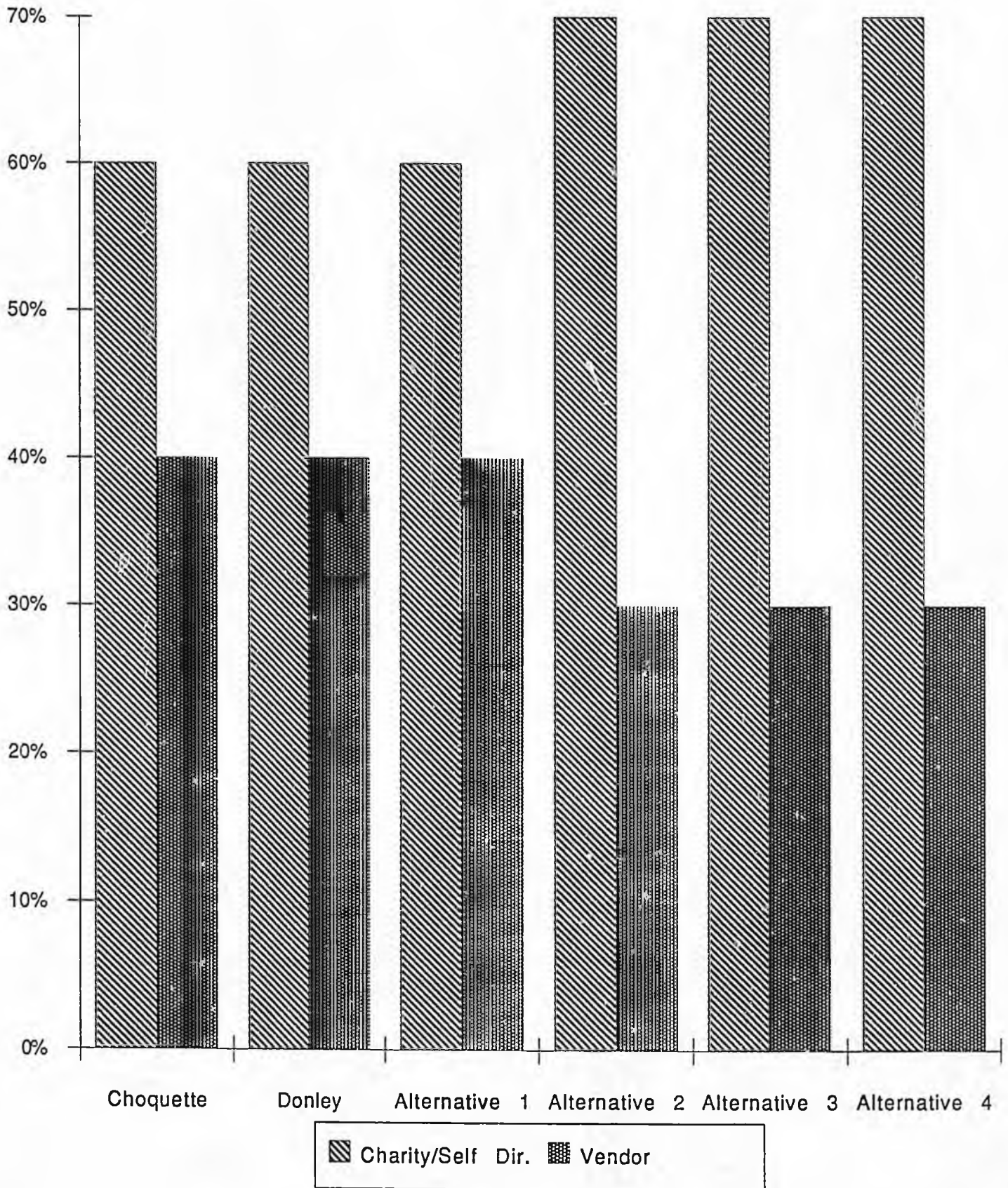
# Charities Using Bingo Halls



## Charities Using Rippie Stores



# Self-Directed Charities Using Vendors



**Ernst & Young**

---

April 3, 1991

Representative David Finklestein  
Labor and Commerce CommitteeDean W. Nelson  
Director of AuditSuite 801  
301 W Northern Lights Blvd  
Anchorage, Alaska 99503  
Telephone: (907) 279-1411

RE: HOUSE BILL 168

PULL-TAB OPERATOR REGULATIONS AMENDMENT

*David*  
Dear Representative Finklestein:


I am a volunteer and Board Member for the Easter Seal Society of Alaska (ESSA) assisting this organization in its goals to help and give people with disabilities the "Power To Overcome". Since ESSA is a nonprofit society, we depend on revenues primarily from its fund-raising activities, like pull-tabs. Governor Hickel's decision to curtail all third party vendor pull-tab relations on January 1, 1991 placed this voluntary health agency in a very difficult financial situation to meet its commitments.

We understand the House Bill 168 dealing with amendments to the pull-tab operator regulations is still in your sub-committee. ESSA strongly urges your support to move this bill onto the legislative floor for a vote and passage into law in favor of third party vendor relations again. This law then will enable us to restart our pull-tab fund-raising efforts which goes toward providing programs for people with disabilities.

Your immediate attention and consideration on this matter will be greatly appreciated by all those concerned.

Thank you.

Sincerely,

  
Dean W. Nelson  
PartnerRepresentative David Finklestein  
Labor and Commerce Committee  
c/o Catherine Reardon Fax # 465-2444  
Charitable Gaming Sub-Committee  
Alaska State Legislature  
P.O. Box V  
Juneau, Alaska 99811



April 3, 1991

Representative David Finkelstein  
Labor and Commerce Committee

Catherine Reardon  
Charitable Gaming Sub-Committee

RE: House Bill 168

I am the Controller for the Easter Seal Society of Alaska. Prior to December 31, 1990 we relied the proceeds from the sale of pull tabs to provide services to disabled people that had no where else to turn. When third party vendors were eliminated as an option in selling pull tabs, the loss of proceeds put us in a very difficult financial situation. We have had to eliminate 2 positions and reduce our services.

It has come to me attention that House Bill 168 is still in your committee. This bill deals with regulations concerning the sale of pull tabs. I am asking for you help in moving this bill out of the committee and on to the floor for it to be voted on. We need your immediate help in this. Once this bill is passed we will be able to continue at past service levels and hopefully help even more Alaskans with disabilities.

Thank you.

Laura Sullivan  
Controller

las

3719 Arctic Boulevard  
Anchorage, Alaska 99503  
907-561-7325 FAX: 562-7325

Alaska State Legislature  
House of Representatives



INTERIM

3111 C Street  
Anchorage, Alaska 99503  
(907) 561-2032


SESSION

P.O. Box V  
Juneau, Alaska 99811  
(907) 465-2995

Representative Dave Choquette

April 10, 1991

To: Representative Dave Donley

From: Representative Dave Choquette 

Re: HB 168, An act related to charitable gaming

I am writing to ask you to schedule the hearing of HB 168, an act related to charitable gaming at your earliest convenience. I truly believe it is imperative we address the vendor issue that is part of this bill prior to adjournment this May. Too many self-directed charities have too much to lose if we do not.

Thank you for your attention to this matter.



RECEIVED APR 26 1991

# Haines Chamber of Commerce

2nd & Willard Streets  
P.O. Box 518 • Haines, Alaska 99827



April 24, 1991

Representative Dave Donley  
House Judiciary Committee  
Alaska State Legislature  
P. O. Box V  
Juneau, Alaska 99811

Re: HB 168

Dear Representative Donley:

HB 168 is awaiting a hearing in your committee, and the Haines Chamber of Commerce is very interested in seeing this bill pass this session. We urge you to hold a hearing on this bill immediately.

The Haines Chamber initiated a pull tab program about two years ago with the proceeds going to a community betterment program to accomplish some of our projects which could not otherwise be accomplished without large donations of money and time. The program has become very successful and we have been able to do a great deal to upgrade the community.

Pull tab sales were accomplished by the third party vendor method which came under fire by the Attorney General. Our vendors were actually our own members selling pull-tabs for us in their establishments. Our percentage was 60%, and the Chamber was very happy with this arrangement.

Under the new system, we must operate our own pull-tab parlour, and the arrangement is not nearly as satisfactory. Our expenses are greater which results in lower profits, and the extra effort on the part of our staff is robbing other programs.

The third party vender relationship worked well for this organization. We feel it makes more sense to have our own members doing sales than to hire people who have no real interest in the purpose or results of our program. Much is said about charities not getting their proper share of the proceeds from these games, but we have not found this to be a problem with our close relationship with our vendors. And without this method of raising funds we would be back to minor fundraisers and minor accomplishments.

We appreciate your early consideration and passage of HB 168.

Sincerely,

A handwritten signature in cursive script that reads "Patty A. Glackin".

Patty A. Glackin  
President

Alaska State Legislature  
House of Representatives



INTERIM

3111 C Street  
Anchorage, Alaska 99503  
(907) 561-2032

SESSION

P.O. Box V  
Juneau, Alaska 99811  
(907) 465-2995

Representative Dave Choquette

May 13, 1991

To: Representative Dave Donley  
Chair, House Judiciary Committee

From: Representative Dave Choquette *DC*

Re: CSHB168 (L&C), an act licensing and regulating pull-tab vendors, etc.

I introduced HB168 for one reason: to authorize vendor sale of pull-tabs on behalf of charitable organizations. Since its introduction, HB168 has grown into a comprehensive piece of legislation aimed at refining Chapter 15 of the Alaska Statutes, the chapter addressing games of chance and contests of skill.

In addition to authorizing vendor sales of pull-tabs, CSHB168:

- a. requires permittees and operators to pass an examination prior to the issuance of a permit or license on the gaming code and its resulting regulations
- b. provides that pull-tabs sold in the state must be manufactured under the standards set by the North American Gaming Regulators Association;
- c. increases the proportion of the adjusted gross income that operators must return to charitable organizations;
- d. modifies the suspension and revocation section of the chapter to allow Commerce to suspend permits, licenses and vendor endorsements only after providing administrative recourse to the party involved;
- e. authorizes distributor to distributor sales of pull-tabs;
- f. increases the payout limit in prizes for permittees using operators from \$500,000 to \$1 million; ★ ★
- g. requires the in-state licensing of out-of-state pull-tab ★

★ ★

★ ★

manufacturers; and

h. provides a definition for "managerial and supervisory capacity" in order to provide Commerce with a marked increased in authority to prohibit felons and violators of gambling law from participating in the gaming industry.

The original purpose of the bill cannot be overstated. The "third party vendor" issue entered the limelight on October 24, 1990, when the Attorney General wrote an opinion stating that use of vendors (e.g. retail outlets, bars, restaurants, etc.) for the sale of pull-tabs was not provided for by statute. Vendor sales of pull-tabs came to a halt January 1, 1991, damaging those charities that self-direct their gaming activities and curtailing the returns to charities whose operators contracted with vendors. Should legislation recognizing vendor sales not pass this term of the session, vendor sales cannot be authorized by regulation and not-for-profits will suffer a tremendous loss. It is with this in mind that I urge prompt action on this bill.

CSHB168 (L&C) goes a long way to fill the financing void facing not-for-profits as they confront continued declines in revenues from block grants, and to address problems existent in the current gaming statute. I appreciate the work of your committee to further refine the bill to address ongoing difficulties in the gaming industry and to increase the return of profits provided to charitable organizations in Alaska.

Alaska State Legislature  
House of Representatives

INTERIM

3111 C Street  
Anchorage, Alaska 99503  
(907) 561-2032



SESSION

P.O. Box V  
Juneau, Alaska 99811  
(907) 465-2995

Representative Dabe Choquette

Sectional Analysis of CSHB168 (L&C)

An act licensing and regulating pull tab vendors; authorizing sales of pull tabs between pull tabs distributors; etc.

Sections 1 and 2 amends provisions regarding annual permit fees for games of chance and skill to require those applying for a gaming permit to designate a member in charge and at least one alternative member who have passed an examination on gaming further explained in Section Nine.

Section 3 amends the notice provisions to require a permittee or operator to notify the Department of Commerce and Economic Development (Commerce) 15 days before changing the location of a gaming activity. This will provide Commerce with greater ability to track the movement of pull tabs.

Section 4 amends the regulations section of the gaming code to require Commerce to adopt regulations addressing vendor sales of pull-tabs. These regulations shall address: the issuance, renewal, and revocation of vendor endorsements; the requirement of sworn financial statements from vendors; the civil and criminal investigation of vendors and their employees; the exclusion from participation in gaming activities of vendors and their employees convicted, imprisoned, or on parole for a felony within the preceding five years, or convicted of a crime of theft or dishonesty or of a violation of gambling law; and the disposition of funds in possession of a vendor at the time of the surrender or invalidation of a permit or license.

Section 5 also amends the regulations provisions to require Commerce to adopt and amend from time to time regulations regarding pull-tabs consistent with the standards on pull-tabs of the North American Gaming Regulators Association (see enclosed)★

Section 6 provides Commerce with the authority to examine the★  
books and records of a vendor. ★



Section 7 provides that all applications and reports required by Commerce and applicable to vendors be signed by vendors under the penalty of unsworn falsification.

Section 8 requires that a vendor may not sell pull tabs when a report or fee is delinquent.

Section 9 requires permittees to designate a member in charge and at least one alternate member in charge of the gaming activity. The member in charge and her alternate must have passed a test on the content of the gaming chapter and regulations adopted under the chapter. Commerce shall formulate the exam and administer it at least four times a year.

Section 10 amends the provisions regarding the duties of the member in charge to include responsibility for monitoring the performance of the operator with whom the permittee has contracted. It also provides that the alternate members in charge be members of the charitable organization or municipality and be responsible for the duties of the member in charge when she is absent.

Section 11 adds a new subsection to the member in charge section to provide the permittee with six months to replace a designated member in charge or sole alternate member in charge no longer able to serve. The designees are required to have passed the gaming test within this six month interim.

Section 12 amends the operator provision of the chapter to require all licensed operators to have passed a test on the gaming chapter and on regulations adopted under it before the license is issued.

Section 13 amends existent statute and provides that a municipality may by ordinance prohibit all operators or all vendors from selling pull tabs within the municipality.

Section 14 increases the proportion of the adjusted gross income to be returned to the charitable organization by operators. Bingo halls are required to return for two consecutive quarters at least 20% of the adjusted gross income. Operators using retail outlets and operators conducting other gaming activities not described in (A) or (B) are required to return at least 50% of the adjusted gross for two consecutive quarters.

Section 15 modifies the suspension and revocation section of the chapter to allow Commerce to suspend permits, licenses, and vendor endorsements, only after giving notice to the party, and allowing for a hearing on the issue. Presently, Commerce can suspend licenses and permits before allowing for a hearing on the issue. Section 15 also provides another condition for suspending or revoking a permit, license, or endorsement. A permit, license, or endorsement may be revoked if the permittee, licensee, or vendor is delinquent on sales taxes owed to a municipality on a charitable gaming activity.

Section 16 increases the payout limit for permittees using operators from \$500,000 to \$1 million. Our aim here is to better serve the charities. If this provision in any way harms their interests, it should be removed.

Section 17 requires out-of-state manufacturers of pull-tabs to have a manufacturer's license issued by the Department of Commerce before they may sell or supply pull-tabs to persons in the state.

Sections 18, 19, 20, and 21 authorize distributor to distributor sales of pull tabs and provide for the collection of the pull tabs tax up-front. Additionally, they prohibit distributors from taking a purchase order, selling, or delivering a pull tabs series to a vendor location. This is necessary to provide for the payment of pull tabs proceeds directly to the permittee or operator when they deliver the pull tabs to the vendor location.

Section 22 amends general provisions guiding the operation of pull-tab games and prohibits a permittee, licensee, or vendor and their employees from purchasing a pull tab sold by the permittee, licensee, or vendor. It also provides that operators who own a distributorship in whole or in part may not purchase pull-tabs from their distributor wing unless more than 50% of the distributor's sales are made to permittees, operators, or distributors that are wholly independent from the distributor.

Section 23 authorizes vendor sales of pull tabs. In doing so it provides that a permittee or operator may contract with a vendor for the sales of pull tabs. Section 23:

- a. requires a permittee or operator to first apply for a vendor endorsement and submit an endorsement fee of \$50 payable by check to Commerce. This fee is to be paid by the vendor;
- b. provides Commerce with authority to approve or disapprove the application within 30 working days of receipt of the application;
- c. states that an endorsement is an extension of the permittee's or operator's privilege to sell pull tabs;
- d. requires a written contract between the vendor and the permittee or operator that provides that the permittee or operator shall receive no less than 70% of the ideal net. This contract must be submitted to Commerce for approval. If the contract violates the chapter, the department may refuse to issue or renew the vendor endorsement;
- e. requires the vendor to pay an amount equal to the ideal net minus the vendor compensation to the permittee or operator upon delivery of the pull tabs to the vendor; and

f. allows a permittee or operator to contract with more than one vendor as well as allows a vendor to contract with more than one permittee or operator.

Section 24 amends the section on orders prohibiting violation of the gaming chapter. It provides Commerce with authority to take action against a vendor, and not the permittee or operator, if the vendor is in actual violation of this statute. In the past, the only recourse Commerce had to penalize vendor infractions, was to pull the permittee or operator license. This amendment will allow charities to continue to conduct their gaming activities, notwithstanding violations by their vendors.

Section 25 provides that a person who submits an application for a permit, license, or vendor endorsement with intent to mislead a public servant is guilty of unsworn falsification.

Section 26 adds definitions for ideal net, managerial and supervisory capacity, permittee, and vendor.

Section 27 is a transitional provision requiring Commerce to prepare the permittee and operator tests required by Section 9 and Section 12 of the bill so that the test may first be offered by January 1992.

Section 28 provides that those sections of the bill addressing tests on the gaming chapter take effect January 1, 1993.

Section 29 provides for an immediate effective date for all other sections of the bill.

Draft Jm

10/24/90

NORTH AMERICAN GAMING REGULATORS ASSOCIATION  
STANDARDS ON PULL TABS

PURPOSE: Publication of these recommended standards should not be construed as an endorsement of this form of legalized gambling. These standards are intended to provide regulatory guidance to jurisdictions which are contemplating or have enacted legislation which permits the legal use of pull tabs.

PULL TAB STANDARDS:

DEFINITIONS:

CURRENT STANDARD

None

PROPOSED STANDARD

Pull tab means the gaming pieces used in a game of chance which are completely made of paper or paper products and which conceal numbers or symbols that must be exposed by the player in order to determine wins or losses. The devices are known in various jurisdictions as break open, hard cards, banded tickets, jar tickets, pickle cards, Lucky Seven cards, Nevada club tickets, and other such names.

When it is necessary to differentiate between types of pull tabs, the term "break open" shall be used to refer to games in which the piece is made of card board, has between one to five windows behind which are winning and losing symbols and which must be revealed by the tearing off of a covering "window".

The term "banded ticket" shall be used to refer to those games in which the game piece is made of paper and in which the winning or losing symbols are covered by folding that paper and then banding the folds with a separate piece of paper. These tickets may or may not be stapled into small booklets.

(The terms used here are an effort to standardize language for all jurisdictions. In the past, the term "charitable gaming tickets" was utilized, however since then many jurisdictions have legalized pull tabs but have allowed them for commercial or private enterprise. Thus, the committee proposes this new term.)

- c. Three or more high tier winners located in the same general location in at least thirty percent of the series examined; or equal numbers of high tier winners in each row of a series in at least thirty percent of the series examined.
- d. No winning pull tab in a specified row in at least seventy percent of the series examined.
- e. No winning pull tab in a general location at the end of each row in at least seventy percent of the deals examined.
- f. No winning pull tab in a section of a row containing 150 pull tabs in one hundred percent of the series examined.

A high tier winning pull tab is one in which the prize is 50 times the price of the ticket or more or at least the top two tiers. General location shall mean a range of pull tabs as follows:

- a. In a game consisting of 2400 tickets or more then general location means a range of 40 pull tabs or less.
- b. In a game consisting of 1500 to 2399 tickets then general location means a range of 25 pull tabs or less.
- c. In games consisting of fewer than 1500 tickets, general location means a range of 15 pull tabs or less.

Banded tickets packaged in bags, rather than boxes, shall be subject to the above requirements. In order to test for compliance, bagged pull-tabs will be divided into horizontal or vertical rows and then measured against the above criteria.

#### MINIMUM INFORMATION

##### CURRENT STANDARD

Minimum information printed on a pull tab or breakopen and, if starred, on a jar ticket.

- \*1. Name of manufacturer or its distinctive logo.
- 2. Name of game.
- 3. Manufacturer's form number.
- 4. Price per individual charity game ticket.

## PROPOSED STANDARD

The game shall must be designed, constructed, glued and assembled in such a manner as to prevent determination of a winning or losing ticket without removing the tabs or otherwise uncovering the symbols or numbers as intended.

Each ticket in a series/deal must bear the same serial number. There shall not be more than one serial number in each series/deal. Additionally, no serial number used on a series/deal of pulltabs may be repeated on that same manufacturers form number within a three year period.

The number(s) or symbol(s) must be fully visible in the window and shall must be placed so that no part of a symbol or number remains covered when a tab is removed. Displacement of the symbols to the left or right in a window is allowed for increased game security.

The window slits on each break open shall be perforated on all three sides. All break opens are required to be glued on all four edges and between each window. The glue must be of sufficient strength so as to prevent the separation of the laminations of the ticket.

## GUILLOTINE CUTTING VARIATIONS

### CURRENT STANDARDS

It must not be possible to isolate winning or potential winning tickets from variations in size or the appearance of a cut edge of the charity game tickets comprising a particular game.

### PROPOSED STANDARDS

No change.

## COLOR OR PRINTING VARIATIONS

### CURRENT STANDARDS

It must not be possible to detect or pick out winning charity game tickets from losing tickets through variations in printing graphics or colors, especially those involving different printing plates.

### PROPOSED STANDARD

No change.

warning to the purchaser that the game may have been tampered with if the package, box, or container was received by the purchaser with the seal broken.

2. A game's serial number shall be clearly and legibly placed on the outside of the game's package, box or other container or be able to be viewed from the outside of the box.
3. For games shipped to any state that requires a state identification or revenue stamp be placed on the flare by a manufacturer/distributor, the flare for the game shall be located on the outside of each game's sealed package, box or other container so that the secured container need not be broken to place the stamp.
4. Each series/deal of pull tabs must contain a packing slip placed inside the package containing the name of the manufacturer, the series/deal number, date of the series/deal was packaged or that information may be placed on the flare.
5. Manufacturers must print on the outside of the package or container of pull tabs the following message: "Pull tabs must be removed from the packaging container and thoroughly mixed prior to sale to the public."
6. Every manufacturer must seal or tape, with tamper resistant seal/tape, every entry point into a container of pull tabs prior to shipment. The seal or tape must be of such construction from the manufacturer as to guarantee that should the container be opened or tampered with, such tampering or opening would be easily discernible.

#### DEFECTIVE GAME

##### CURRENT STANDARD

None

##### PROPOSED STANDARD

1. Defective pull tabs with defects that do not affect game security or playability. An example would be printing out of register, uniform bad color, poor appearance, etc. Action level 1.
2. Pull tabs with defects that may affect game security but are limited to a specific number of deals of a particular form, or the defect is not

## PROPOSED STANDARDS

Every series/deal of pull tabs must have a flare that must have printed on it the following information, at a minimum:

1. Name of game.
2. The manufacturer name or logo.
3. The form number.
4. Ticket count.
5. Prize structure, to include the number of winner by denomination with their respective winning symbol/number combination.
6. The cost per play.
7. A provision to allow "cross out" or "check off" of a minimum of the top three winning tiers excluding multiple winner tickets.

## TRACKING

### CURRENT STANDARDS

None

### PROPOSED STANDARDS

Every manufacturer of pull tabs must be able to track each pull tab from the manufacturer to the next point of sale and must retain that information for at least 42 months.

*Resolutions*

RULES OF PLAY

1. The flare accompanying the deal/series containing all required game information must be posted in the vicinity of the game and in view of the players while the deal is in play.
2. Pull tabs cannot be sold from the original container.
3. Pull tabs must be thoroughly intermixed prior to being offered for sale. *Dump & mix*
- X 4. All winning tickets must have the winning symbol/number defaced or punched when redeemed by the gaming organization. *Recycle*
5. All winners and unsold pull tabs must be kept for a time sufficient to allow auditing by the regulators. Such time to be determined by each individual regulating body.
6. All pull tabs must be properly destroyed, i.e., by burning, shredding, or in some other manner that shall prevent anyone obtaining the used, defaced, or unsold tickets and attempting to reuse that ticket or any portion thereof.
7. Because a limited number of people possess information about the financial status of the deal in play, and because those people may violate the integrity of the deal, the general public may be placed at an unfair disadvantage. Operators must apply strong management practices to educate and monitor their employees to make that information secure and take immediate and strong action to penalize employees for the distribution of that information.
8. All employees of a gaming licensee should be prohibited from buying or playing pull tabs at their place of employment.
9. It should be required that the operator/gaming organization verify the serial number and winner protection for all winning tickets redeemed.
10. It is recommended that all operators/owners, managers, and other "significant personnel" should be licensed by regulators and that such licenses should be issued only after a background investigation and adequate training .
11. It cannot be emphasized strongly enough that the proper regulation of gaming requires that adequate enforcement levels and funding be provided from the inception of the gaming activity. *Catch up is difficult.*
12. [It is recommended that all games of pull tabs must be played with the requirement that as winning tickets are redeemed, that a "mark off" or "check off" system is utilized so that that information is available to all other

# Coalition for Non-profit Gaming

COMMENTS BEFORE THE HOUSE LABOR AND COMMERCE COMMITTEE  
HB168  
3/5/91 VIA TELECONFERENCE

Sec. 1

No change

Sec. 2

(5) CNG questions the value of requiring background checks and fingerprinting of ALL EMPLOYEES at every level. Perhaps this should be modified to include only managerial and supervisory personnel.

(6) CNG regards this as overly stringent. We suggest that the phrase "within the preceding five years" be moved to the end of the sentence.

(9) CNG believes in sound record-keeping practices. However, the requirement that all receipts be deposited in a bank is not always possible in rural Alaskan communities that lack a local bank branch. Further, we doubt that requiring this of vendors serves a practical purpose, as, elsewhere in the bill, all moneys due the permittee have been paid by the vendor on delivery of the game.

CNG therefore recommends that this sentence be terminated after the word "record" on line 2, and the remainder be struck.

Sec. 3

No specific recommendations

Sec. 4

No specific recommendations

Sec. 5

CNG recognizes a grammatical error contrary to the intent: By using the singular words "operator" and "vendor", a municipality could in fact, prohibit one operator or vendor while allowing others. As well, since some municipalities are in fact, permittees themselves, they could selectively limit competition.

CNG therefore recommends that the words "operator" and "vendor" on line 23 be changed to the plural form and that the word "an" be stricken. This would keep local control, while preventing selective discrimination.

Sec. 6

CNG believes that a typo exists on line 27. We are not aware of a "commission". This phrase should read: (a) The commissioner may suspend..."

Sec. 7

No specific recommendations

Sec. 8

CNG's steering committee voted unanimously to support the changes proposed by Roger Cunningham in his written testimony so long as they do not jeopardize the passage of the basic third-party bill.

Sec. 9

CNG's steering committee voted unanimously to support the changes proposed by Roger Cunningham in his written testimony so long as they do not jeopardize the passage of the basic third-party bill.

Sec. 10

(subsection (e) CNG believes that distributors perform a valuable service by delivering pull-tabs. Therefore, item (3) should be struck OR AMENDED to add "without specific, written authorization by the permittee or operator".

Sec. 11

(Subsection (h) CNG recognizes the wisdom and intent of this section. However, many permittees self-police by sending a person in a managerial capacity to purchase pull-tab(s) on an irregular basis, thereby AUDITING the serial number(s) being sold by the vendor. We point this out as informational, but will concede the point if it the committee's will.

Sec. 12

Before beginning the specific comments on AS 05.15.188, which is in fact the most operative section to this bill, CNG is somewhat concerned that while this section specifically allows vendors to contract with permittees, THERE IS NO WORDING WHICH SPECIFICALLY ALLOWS THE VENDOR'S EMPLOYEES TO SELL THE PULL-TABS ONCE THEY ARE PLACED AT THE VENDOR'S LOCATION. Are we to ASSUME that this point is ASSUMED? Recent Attorney

General's opinions cause us a certain anxiety on this point.

(Subsection (a) CNG believes that the \$50 fee detailed on line 18 has not been justified on the basis of processing costs by the Department of Commerce. We urge that the committee ask for such cost justification before putting a firm amount into statute. CNG further believes that the cost of vendor endorsements is adequately compensated for by the 3% Gaming Tax currently levied.

(Subsection (a) CNG believes that no purpose would be served by the requirement on lines 19-21 that the local municipality be so advised. This places a large paperwork burden on municipalities for which there has been no testimony in support.

(Subsection (b) CNG believes that the department can and should process vendor applications in 15 days or less, not 30 days as written. (Item (b), lines 21 and 22)

(Subsection (e) CNG believes that the vendor should be made responsible for changes in HIS location. Can this wording be modified to require the vendor to first notify the permittee or operator, who will in turn, notify the department?

(Subsection (f) Once again, there has been no justification of the \$50 fee for vendor endorsements.

Subsection (h) CNG urges that section (h) be struck in its entirety OR that the wording be modified to include the permittee's or operator's designee (distributor) to deliver to a vendor.

(Subsection (i) CNG realizes that the matter of percentage is a sensitive one. By unanimous vote of the steering committee, 35% compensation to vendors was endorsed. We offer this as a consensus of more than 70 members from all facets of the gaming community.

(Subsection (j) CNG would be more comfortable if this section specifi-

cally allowed for a percentage split between the vendor and the permittee/operator.

(Subsection (k) CNG believes, absent any compelling arguments for its inclusion, that this provision works a hardship on small, rural communities where most community leaders wear several hats. CNG urges that it be struck.

CNG believes that an error-of-omission occurred in the drafting of HB168. In current statute, Sec. 05.15.160. Authorized Expenses, lists the various expenses allowed to be incurred or paid. CNG BELIEVES THAT THE WORDS "Compensation Paid to Vendors" should be included as a new subsection in AS 05.15.160.

# 1989 CHARITABLE GAMING ANNUAL REPORT

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## THE YEAR IN REVIEW

The Alaska Gaming Reform Act of 1988 (HB 299, Chapter 99, SLA 1988) took effect on September 2, 1988. The state's games of chance and contests of skill program has undergone major changes since that date. Many of the issues that were addressed in the Reform Act are still being dealt with by the present administrators of the program.

During the period of September 2, 1988 to June 30, 1989, many provisions of the new law were not fully implemented or, more importantly, enforced. This may partially be explained by the fact that the Department of Revenue was transferring administration of the program to the Department of Commerce and Economic Development, Division of Occupational Licensing, on July 1, 1989. The transfer was accomplished under Executive Order No. 74.

Since transfer of the gaming program, the Division of Occupational Licensing -- responding to numerous industry complaints and a very large increase in gaming activity within the state -- has taken an active role in administration of the program. Regulations affecting the ability of the division to effectively enforce the law were drafted and public hearings were held statewide. These regulations are presently in the Attorney General's office undergoing final review prior to implementation.

Additional staff have been hired: a manager for the Gaming Program (authorized in the FY 90 budget) and a receptionist. The division opened a Fairbanks field office and transferred an investigator previously housed in Juneau to that office; the new (part-time) receptionist is also located in Fairbanks. The division now has offices in Anchorage, Juneau, and Fairbanks to serve both the gaming industry and the public.

Charitable gaming in Alaska has moved out of the bingo halls and into many retail and eating establishments and bars in almost every community in the state. The proliferation of pull-tab sales since the adoption of the Reform Act has had a marked impact on many of these communities. It is the intent of the division to fund a study to more accurately determine the social and economic characteristics of those actively involved as consumers of gaming activities and to assess community impacts.

From the outset of transfer of the program to this department, it was apparent that many persons not licensed as operators were nevertheless conducting gaming activities on behalf of organizations holding valid gaming permits (hereinafter "permittees"). The result of this illegal activity has been difficult to measure due to the lack of proper accountability and reporting by the unlicensed operators. We are aware, however, of at least one bingo hall operation run by an unlicensed individual which closed its doors late last fall having failed for over six months to remit any gaming proceeds to many of the organizations lending their permit to the unlicensed operation.

The division has utilized staff from its other licensing areas to aid the gaming staff in organizing and managing the program and its work load. The division has fully automated the program, including development of a data base which was used to produce the statistical data provided in this report. This is the first comprehensive capturing of the annual financial statements filed by permittees. Because the 1988 data was not complete when last year's report to the Legislature was filed, the division has included both final 1988 financial statement data as well as all the data from the 1989 financial statements received through April 15, 1990.

FY 90 gaming revenue from (a) gaming licensing fees, (b) the 3% pull-tab assessment, and (c) the 1% net proceeds fee presently totals \$1.26 million. We estimate total gaming revenue for FY 90 to reach \$1.5 million, with less than one-third of those funds appropriated to administration of the program itself. The remaining \$1.0 million is available to the general fund.

### MAJOR CHARITABLE GAMING ISSUES

Below is a listing of a number of the current major issues identified by the division pertaining to charitable gaming in Alaska. It is by no means an exhaustive list.

1. Statutory amendments and/or comprehensive regulations are needed to address the following issues:
  - A. Vendor (third party) sales of pull-tabs.
  - B. Advertising and conduct of gaming activities on the airwaves.

- C. Licensing of out-of-state manufacturers.
  - D. Reduction of the operator bonding requirement, or enactment of a surety fund to protect permittees.
2. Increased gaming staff is needed to provide training for permittees and to further insure compliance with gaming statutes and regulations.
  3. A comprehensive review of the criteria for establishing the eligibility of an organization to qualify for a gaming permit is needed to determine whether all presently licensed permittees are truly "qualified" organizations and whether the existing statutory language is too broad or needs clarification. We are also concerned that permits have been issued to organizations that do not meet existing criteria.
  4. There must be a thorough review of the use of gaming-derived proceeds by permittees and operators. Some questions to consider:
    - a. Are only authorized, bona fide, and reasonably necessary fees and expenses being deducted from proceeds by operators and vendors? Given the present 1989 gaming data, we are concerned, despite the obvious growth in gaming activity, that permittees are receiving a smaller percentage of the charitable gaming dollars spent in the state.
    - b. Are net proceeds going to permittees being properly used by the permittee to benefit persons within that permittee's local community and are the funds expended for legitimate uses? Given the growth of gaming fund-raising occurring statewide through vendor and operator sales, how do we determine proper "local" expenditures by permittees?

## LICENSED OPERATORS

Under the Alaska Gaming Reform Act, AS 05.15.100 was amended by adding a new subsection authorizing the department to issue operator licenses to natural persons, qualified organizations, or municipalities to conduct charitable gaming activities on behalf of authorized permittees. Licenses are effective for a calendar year.

The state issued seven (7) operator licenses in 1988 and twelve (12) licenses in 1989. Operator-conducted gaming activity now accounts for almost 50% of the total gross for charitable gaming.

As of April 15, 1990, the department had received nineteen (19) applications and has issued fifteen (15) operator licenses for 1990. The increase is directly attributable to the division's enforcement of the Reform Act's operator licensing requirements.

### Operator Statistics

These statistics reflect the gaming activity conducted by licensed operators on behalf of permittees:

	<u>1988*</u>	<u>1989*</u>
Gross Income	\$20,584,176	\$53,583,880
Prizes Awarded	[16,757,968]	[41,409,338]
AGI (Adjusted Gross Income**)	3,826,208	12,174,542
Operator Fees and Expenses	[3,156,570]	[10,517,760]
Total Net Proceeds to Permittees from Operators	<u>\$ 675,393</u>	<u>\$2,497,075</u>
Percentage of AGI Paid to Permittees	18%	21%
Net Proceeds as a Percentage of the Gross	3%	5%

\*These figures are based on unaudited permittee reports; therefore, the gross receipts minus the prizes awarded and operator fees and expenses do not balance to the reported permittee net proceeds.

\*\*The Adjusted Gross Income (AGI) is defined as gross income less prizes awarded and any state, federal or municipal taxes paid or owed on the income.

## PULL-TAB DISTRIBUTORS

Under the Alaska Gaming Reform Act, AS 05.15 was amended by adding a new section, AS 05.15.184, authorizing the department to issue pull-tab distributor licenses to persons distributing pull-tabs to permittees. The section also requires pull-tabs to be distributed from a location in Alaska only. Licenses are effective for a calendar year.

The department issued 15 pull-tab distributor licenses in 1988 and 23 licenses in 1989. Licensed pull-tab distributors were located in the following cities:

	<u>1988</u>	<u>1989</u>	<u>1990</u> (as of 4/15/90)
Anchorage	7	12	12
Cordova	1	1	1
Fairbanks	4	5	4
Juneau	1	1	1
Ketchikan	1	1	1
Nome	0	1	1
Sitka	0	1	1
Wasilla	<u>1</u>	<u>1</u>	<u>1</u>
Total	<u>15</u>	<u>23</u>	<u>22</u>

## PERMITTEES

The following is a breakdown of charitable gaming permits issued to qualified organizations and municipalities under AS 06.15.020 for the last ten years:

<u>Year</u>	<u>Number of Permits</u>
1979	564
1980	578
1981	622
1982	703
1983	779
1984	763
1985	788
1986	1,011
1987	1,040
1988	1,026
1989	1,042
1990 (as of 04/15/90)	425

## COMPLIANCE

The division has opened a total of 32 investigations since January 1, 1990. These range from counterfeit pull-tabs to potential embezzlement. Seventeen (17) notices of violations have been issued since January 1, 1990. These range from minor infractions to operating without licenses and permits.

The division has implemented a policy of requiring all 1989 annual financial statements to be filed prior to the issuance of a 1990 permit. This has resulted in many permit applications and financial statements being returned for additional documentation prior to a 1990 permit being issued. In past years, permits were automatically renewed and the annual financial reports were often either not filed or in substantial noncompliance. Holding the permit pending compliance has increased effective reporting and has enforced compliance with gaming laws and regulations.

We have completed three field audits of pull-tab distributors and will have audited all distributors by year's end. All operators will also be audited.

### STATISTICAL DATA OVERVIEW

The data shows substantial growth in gross charitable gaming receipts but a reduction in net proceeds available to permittees:

	<u>1986</u>	<u>1987</u>	<u>1988*</u>	<u>1989*</u>
Gross Receipts	\$63,936,774	\$62,163,749	\$87,524,470	\$115,160,891
Prizes Awarded	[48,182,821]	[51,613,746]	[69,095,076]	[86,319,035]
Expenses and Taxes	<u>[7,096,773]</u>	<u>[6,358,015]</u>	<u>[10,982,399]</u>	<u>[16,554,602]</u>
Net Proceeds	<u>\$ 8,657,180</u>	<u>\$ 4,191,988</u>	<u>\$10,256,316</u>	<u>\$ 9,141,529</u>

Accompanying this report are additional tables and graphs providing further data regarding the state's gaming activities. The division will issue a final report once all 1989 financial statements have been received and a number of significant audits have been completed.

Questions regarding the information contained in this report should be addressed to John Hansen, Gaming Program Manager, or Randall Burns, Division Director.

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 \*Annual statements are unaudited, resulting in statistics based on reports as filed; therefore, gross receipts less prizes and taxes do not balance to total reported net proceeds.

## **CHARITABLE GAMING STATISTICS**

- A. 1960 - 1989 Gaming Receipts, Expenses and Net Proceeds**
- B. 1960 - 1989 Gross Receipts and Net Proceeds (Graph)**
- C. 1975 - 1989 Gross Receipts and Net Proceeds (Graph)**
- D. 1988 Reported Permittee Activity**
- E. 1989 Reported Permittee Activity**
- F. 1989 Reported Operator Activity**
- G. 1989 Gross Receipts by Gaming Activity (Graph)**
- H. 1989 Gross Receipts Distribution**

**Department of Commerce and Economic Development  
Division of Occupational Licensing  
Games of Chance and Skill Section**

**GAMING RECEIPTS, EXPENSES AND NET PROCEEDS  
1960-1989**

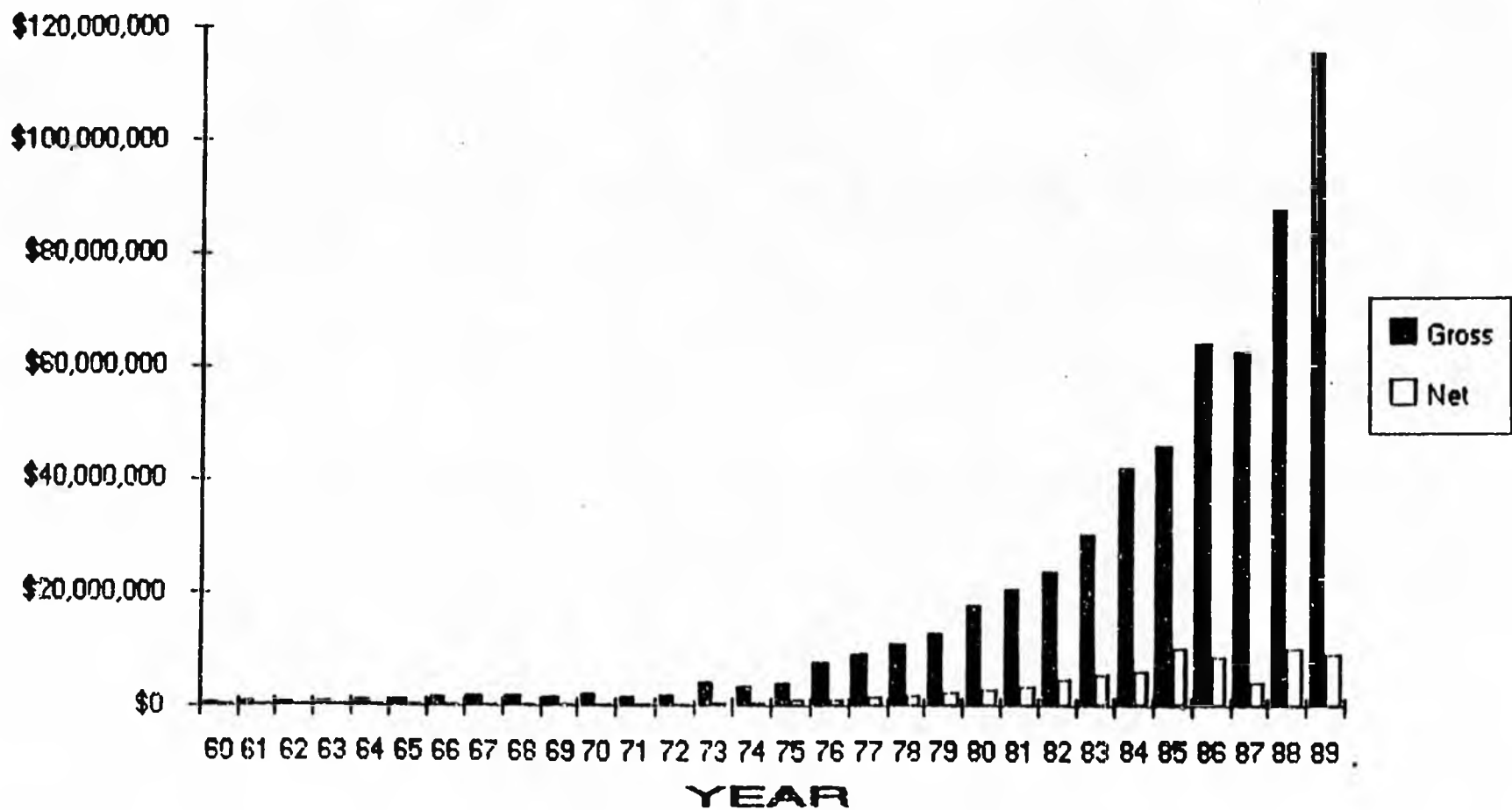
<u>YEAR</u>	<u>PERMITS ISSUED</u>	<u>GROSS RECEIPTS</u>	<u>PRIZES AND EXPENSES AND TAXES</u>	<u>NET PROCEEDS</u>
1960	162	\$ 649,793	\$ 553,440	\$ 96,363
1961	283	793,506	630,562	162,944
1962	284	734,619	599,550	135,069
1963	293	906,073	713,172	192,901
1964	333	1,035,506	861,949	173,637
1965	339	1,375,022	1,184,815	190,207
1966	386	1,516,289	1,253,442	262,847
1967	386	1,790,560	1,529,155	261,405
1968	406	1,970,723	1,654,935	315,788
1969	419	1,558,197	1,265,360	292,359
1970	394	2,101,408	1,716,170	385,238
1971	418	1,735,671	1,398,125	337,546
1972	457	1,928,404	1,621,008	307,396
1973	469	4,154,869	3,508,589	646,280
1974	505	3,318,427	2,838,173	480,254
1975	441	3,894,584	2,784,566	1,110,018
1976	443	7,477,337	6,400,297	1,077,040
1977	490	9,093,043	7,481,551	1,611,492
1978	550	11,046,034	9,214,874	1,831,160
1979	564	12,766,697	10,499,542	2,267,155
1980	578	17,641,692	14,828,135	2,813,557
1981	622	20,534,498	17,117,447	3,417,051
1982	703	23,644,716	18,844,032	4,800,684
1983	779	30,126,943	24,641,267	5,485,676
1984	763	41,666,994	35,744,570	5,922,424
1985	788	45,779,308	35,705,733	10,073,575

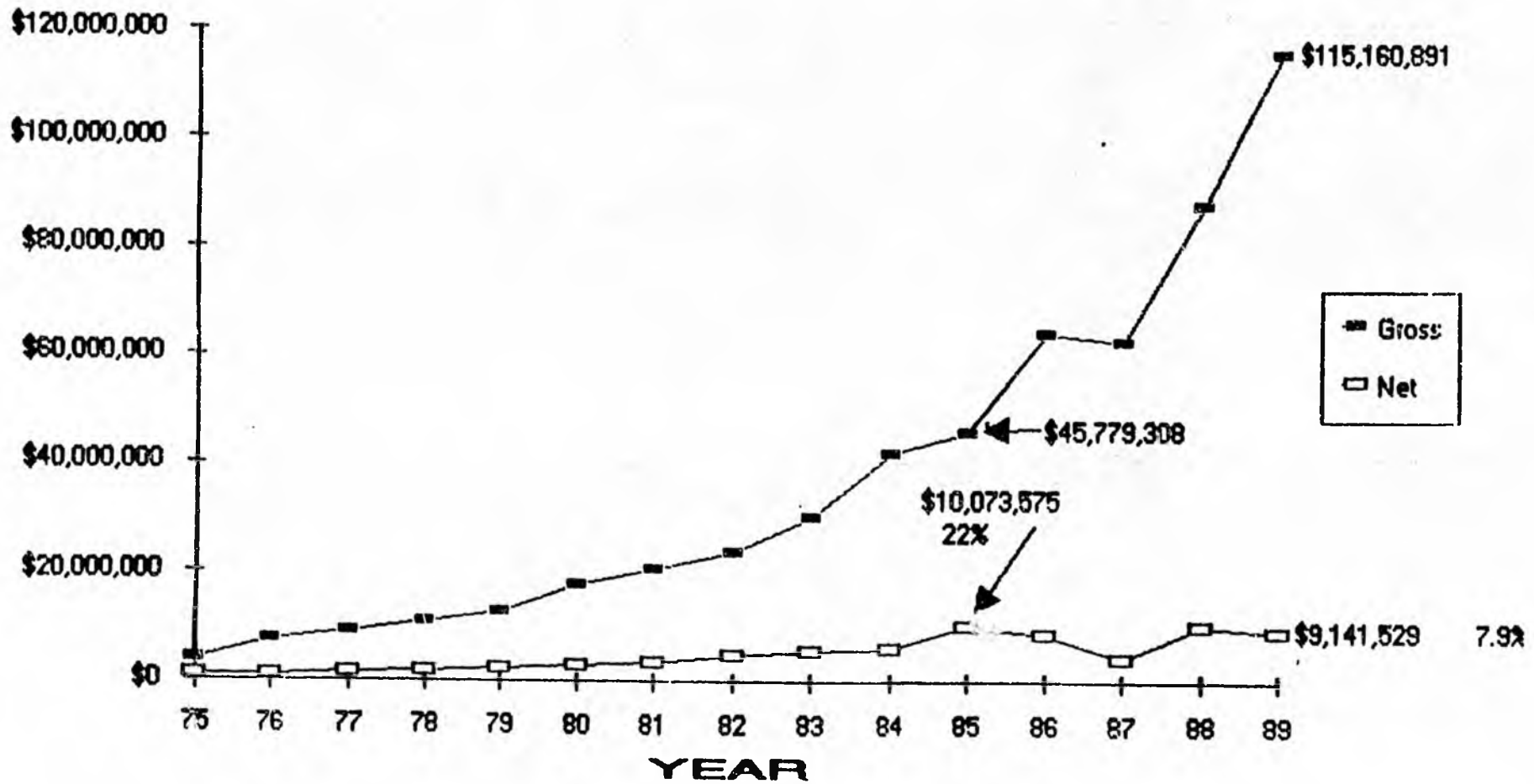
<u>YEAR</u>	<u>PERMITS ISSUED</u>	<u>GROSS RECEIPTS</u>	<u>PRIZES</u>	<u>EXPENSES AND TAXES</u>	<u>NET PROCEEDS</u>
1986	1,011	\$63,936,834	\$48,182,821	\$ 7,097,123	\$ 8,656,890
1987	1,040	62,163,749	51,613,746	6,358,015	4,191,988
1988*	1,026	87,524,470	69,095,076	10,957,143	10,256,316
1989*	1,042	115,160,891	86,319,035	16,564,602	9,141,529

\*1988 and 1989 Annual Statements are unaudited, resulting in statistics based on reports as filed; therefore, the gross receipts minus prizes, expenses and taxes do not balance to reported permittee total net proceeds.

### Annual Gross Receipts and Net Proceeds



## Annual Gross Receipts and Net Proceeds



**Department of Commerce and Economic Development  
Division of Occupational Licensing  
Games of Chance and Skill Section**

**PERMITTEE ACTIVITY  
1988**

Gross Receipts	\$87,524,470.81*	
Taxes	[ 25,256.00]	
Prizes Awarded	[ 69,095,076.45]	
Expenses	[ 10,957,143.61]	
Net Proceeds	<u>\$10,256,316.82</u>	
Percent Net Proceeds of Gross Receipts:		11.7%

**Breakdown of Expenses:**

Rent	\$1,497,446.88	Ticket Printing	\$ 72,645.88
Janitorial	273,710.64	Pull-Tab Purchase	1,463,966.43
Utilities	286,074.37	Bingo Supplies	200,748.42
Building Repair	176,354.00	Supplies	416,075.28
Building Depreciation	199,869.88	Other Printing	239,804.99
Building Insurance	159,432.89	Postage	34,333.39
Contract Services	1,145,639.45	Equipment Purchase	170,507.79
Accounting	81,980.00	Equipment Repairs	18,708.07
Wages	2,259,437.01	Non-Alcoholic	158,793.33
Payroll Taxes	193,346.52	Door Prizes	349,592.70
Prof. Services	0.00	Advertising	0.00
Permit Fees	23,881.87	From Operator (Expenses)	55,156.65
Pull-Tab Tax	128,622.49	Door Prizes	0.00
Other Expenses	1,270,288.87		

\*All numbers are as reported by the permittees and may not balance.

**Department of Commerce and Economic Development  
Division of Occupational Licensing  
Games of Chance and Skill Section**

**PERMITTEE ACTIVITY  
1989**

Gross Receipts		\$115,160,891.14*
Taxes	[	9,576.79]
Prizes Awarded	[	86,319,035.34]
Expenses	[	<u>16,554,602.21]</u>
Net Proceeds	\$	<u>9,141,529.23</u>
Percent Net Proceeds is of Gross Receipts:		7.9%

**Breakdown of Expenses:**

Rent	\$1,754,230.04	Ticket Printing	\$ 70,707.84
Janitorial	261,565.71	Full-Tab Purchase	2,009,454.14
Utilities	229,612.23	Bingo Supplies	241,414.39
Building Repair	166,461.89	Supplies	453,025.60
Building Depreciation	84,530.79	Other Printing	293,143.44
Building Insurance	113,563.50	Postage	57,108.41
Contract Services	2,404,351.07	Equipment Purchase	216,855.68
Accounting	510,277.68	Equipment Repairs	11,985.01
Wages	3,149,686.13	Non-Alcoholic	141,274.72
Payroll Taxes	477,694.52	Door Prizes	283,155.72
Prof. Services	0.00	Advertising	0.00
Permit Fees	81,581.38	From Operator (Expenses)	1,551,900.46
Pull-Tab Tax	592,738.53	Door Prizes	0.00
Other Expenses	1,552,887.74		

\*All numbers are as reported by the permittees and may not balance.

Department of Commerce and Economic Development  
 Division of Occupational Licensing  
 Games of Chance and Skill Section

OPERATOR STATISTICS  
 1989

These statistics reflect the gaming activities conducted by licensed operators on behalf of permittees for 1989.

<u>Name of Operator</u>	<u>Gross Receipts</u>	<u>Prizes Awarded</u>	<u>Adjusted Gross Income</u>	<u>Percent of Net Proceeds to AGI</u>	<u>Net Proceeds to Permittees</u>
Edward A. Dilley	\$ 9,521,662.67	\$ 7,730,977.46	\$ 2,150,685.21	15.79%	\$ 339,797.08
Jay H. Hunison	4,574,822.00	3,561,415.00	1,013,407.00	25.41%	257,583.36
Robert Thomas	7,084,200.00	3,854,898.00	3,229,302.00	18.26%	589,732.00
Sue Griffin	16,960,378.00	13,667,221.00	3,292,157.00	24.87%	818,768.00
Shizue Ruebel	243,443.00	200,378.50	43,064.50	37.31%	16,068.24
Dwight McBride	2,631,174.00	2,030,929.00	600,245.00	15.00%	90,038.00
Steve Cooper	424,661.50	319,820.51	104,840.99	9.56%*	10,032.73
Kenneth A. Dole	15,500.00	6,000.00	[9,500.00]	**	[10,602.13]
Joseph Nyquist	5,876,022.50	4,658,152.24	1,217,870.26	15.82%	192,715.56
John Bloomfield	1,761,047.00	1,310,602.00	450,445.00	15.09%	67,987.00
Peter D. Kraemer	4,591,107.50	3,854,670.00	736,437.50	14.02%	103,294.97
Ruth Shannon	677,195.00	527,759.00	149,436.00	15.00%	22,415.00
<b>Totals</b>	<b>\$54,361,213.17</b>	<b>\$41,722,822.71</b>	<b>\$12,638,320.46</b>		<b>\$2,497,829.81</b>

These figures are based on the unaudited reports filed by operators and differ from the figures compiled from the reports filed by permittees (see page 4); therefore, the gross receipts minus the prizes awarded may not equal the adjusted gross receipts.

"Net proceeds" are the amounts operators paid to the various permittees on whose behalf the operators conducted gaming activities. The minimum that operators are required to pay the permittees is 15% of the "adjusted gross income." For purposes of determining whether an operator is in compliance with this requirement, one has to review the amount paid to each individual permittee and not the reported total amounts stated above.

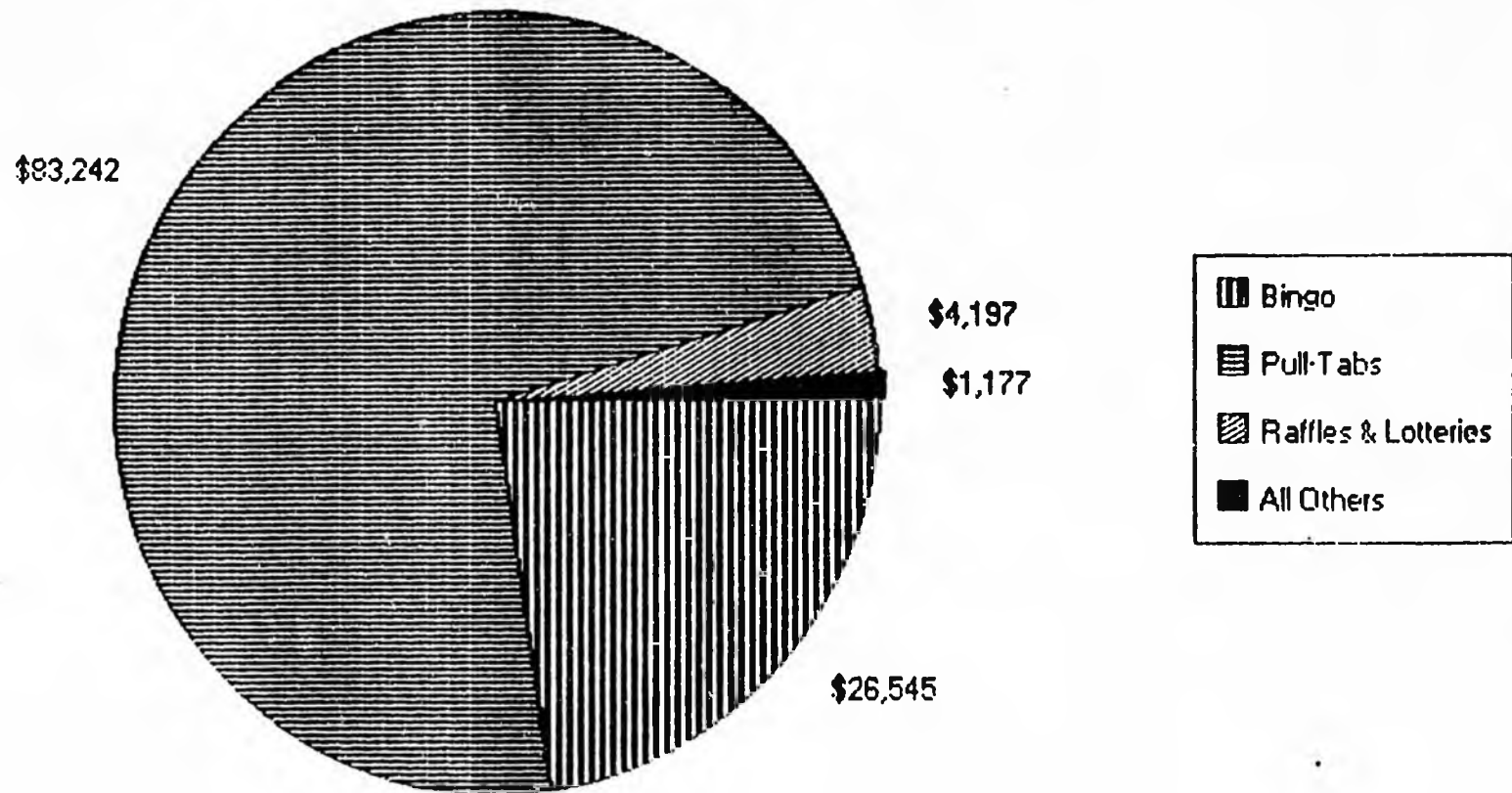
The Adjusted Gross Income (AGI) is defined as gross income less prizes awarded, and any state, federal or municipal taxes paid or owed on the income.

\*Failure to remit at least 15% of AGI resulted in the suspension of this operator's license.

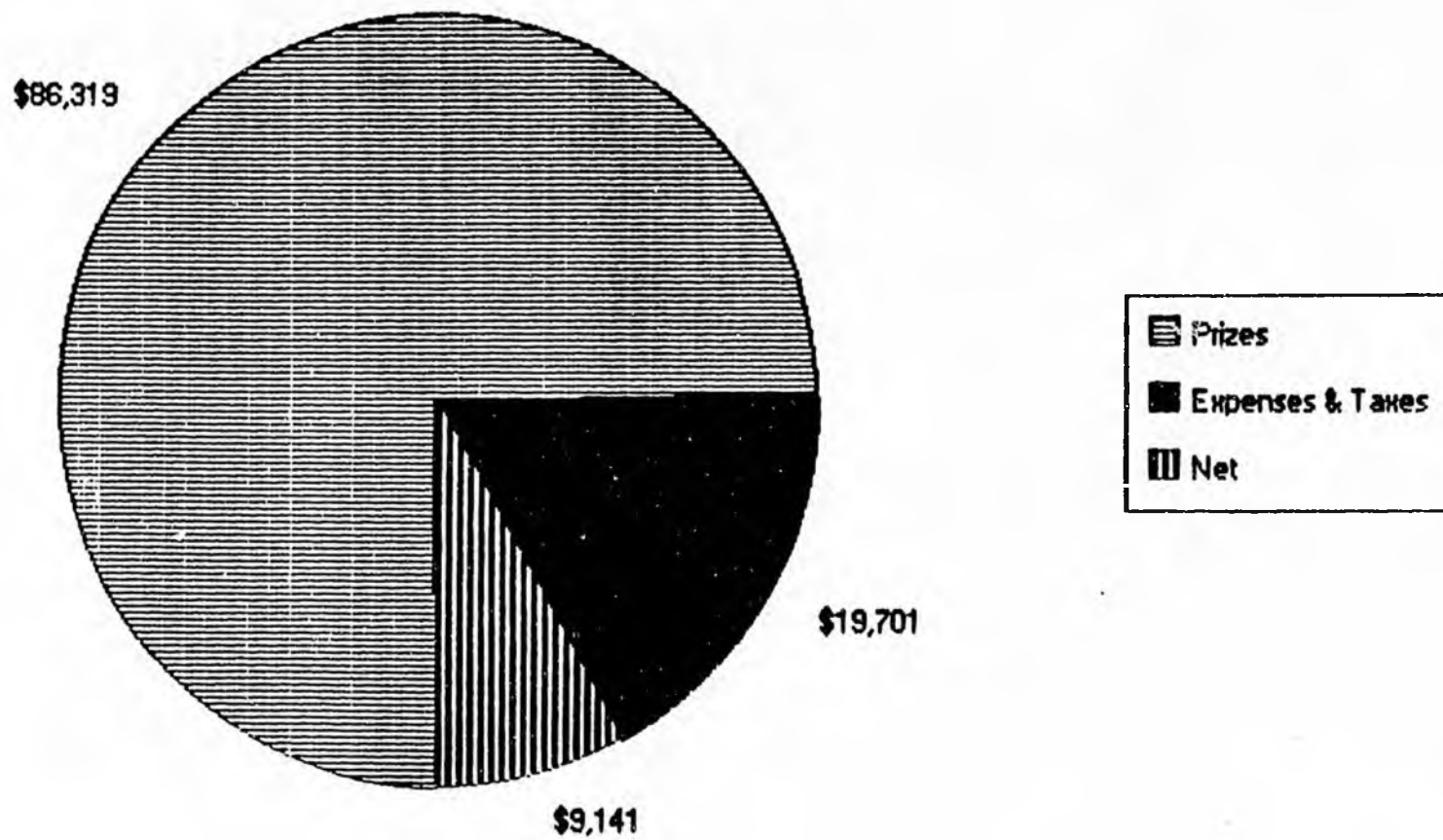
\*\*This operator was in operation for only the last quarter of 1989. If he fails after the first quarter of 1990 to remit 15% of the AGI to his permittees, his license will be suspended.

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**1989 Gross Receipts by Gaming Activity**  
**Total \$115,161 Thousands**



**1989 Gross Receipts Distribution**  
**Total \$115,161 Thousands**



# MEMORANDUM

State of Alaska  
Department of Law

TO: Honorable Jane Angvik  
Commissioner  
Department of Commerce  
and Economic Development

DATE: October 24, 1990  
FILE NO.: 663-90-0399  
TEL. NO.: 465-3600  
SUBJECT: Charitable gaming and  
third-party vendors



FROM: Gary I. Amendola  
Assistant Attorney General

You have asked whether the Department of Commerce and Economic Development (the department) has the authority to adopt regulations to allow a so-called third-party vendor to engage in charitable gaming activities either for a permitted municipality or a permitted qualified organization directly, or for a licensed operator acting on behalf of a permitted municipality or a permitted qualified organization. In our opinion, the department does not have that authority.

Under the Alaska Gaming Reform Act, AS 05.15, only a municipality or a qualified organization can obtain a permit to conduct certain charitable gaming activities. AS 05.15.100(a) and (b). In addition, under AS 05.15.100(c), a municipality, a qualified organization, or a natural person may obtain an operator's license in order to conduct charitable gaming activities on behalf of a permitted municipality or qualified organization. In the past few years, permittees (municipalities and qualified organizations) and licensed operators have contracted with various businesses (primarily bars, liquor stores, and convenience stores) to sell pull-tabs for the permittees or for the operators on behalf of permittees. These businesses are commonly referred to as third-party vendors. 1/

In 1988, the legislature enacted the Alaska Gaming Reform Act (the Act). As the name implies, the Act was intended to reform and modernize Alaska's gaming laws. Probably the three most important goals of the Act were (1) to deal with pull-tab games in a comprehensive way; (2) to establish a permit system for municipalities and qualified organizations that want to engage in charitable gaming; and (3) to set up a licensing and regulatory scheme for operators (i.e., those persons specifically authorized by statute to conduct charitable gaming activities on behalf of permitted municipalities and qualified organizations).

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1/ Third-party vendors have proliferated. There are literally hundreds of locations throughout the State.

Honorable Jane Angvik  
Commissioner  
663-90-0399

October 24, 1990  
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The legislative history of the Act is nearly silent as it relates to the role of third-party vendors in charitable gaming in Alaska. However, the legislative history does indicate a desire that the activities allowed under AS 05.15 would be limited and closely regulated, and neither purpose seems to be fulfilled by the use of third-party vendors. Likewise, applicable principles of statutory construction generally provide that statutes authorizing gambling activities are to be strictly construed, thus limiting the rights and powers that are given thereunder. 38 Am. Jur. 2d Gambling § 18 (1968); West Indies, Inc. v. First National Bank, 214 P.2d 144 (Nev. 1950); Converse v. The Lottery Commission, 783 P.2d 1116, 1118 (Wash 1989). See also 2A Singer, Sutherland Statutory Construction, Sec. 47.23 (4th ed. 1986) (Where a statute creates and regulates, and prescribes the mode and names the parties granted right to invoke its provisions, that mode must be followed and none other, and such parties only may act). 2/

There is no express authorization under AS 05.15 for third-party vendors to engage in charitable gaming activities unless they are a permitted municipality, permitted qualified organization, or licensed operator. In addition, nothing in AS 05.15 authorizes the department, expressly or by implication, to license the activities in which third-party vendors now engage. 3/ In light of the legislative history and under the principles of statutory construction identified above, no authority for the activities of the third-party vendors presently exists.

The Act authorizes only permitted municipalities, permitted qualified organizations, or licensed operators on their behalf to conduct certain charitable gaming activities during certain times:

AS 05.15.020. ANNUAL PERMIT AND FEES. (a)  
A municipality or qualified organization may conduct an activity permitted under this chapter, if the municipality or qualified organization pays the appropriate permit fee and receives an annual permit issued by the department . . . .

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2/ We also find support for this construction of the Act because conducting charitable gaming activities is "a privilege and do[es] not confer a right upon any person to conduct the activities." AS 05.15.110.

3/ Even though the department has broad authority under AS 05.15.060 to regulate charitable gaming for the best interests of the public, that regulatory authority may not be exercised in excess of other statutory limitations of authority.

Honorable Jane Angvik  
Commissioner  
663-90-0399

October 24, 1990  
Page 3

AS 05.15.040. ISSUANCE AND EFFECT AND TERM OF PERMIT. After the fee is paid, a permit issued, and during the effective period of the permit, the municipality or qualified organization may conduct the activity specified in the permit . . . .

AS 05.15.100. ISSUANCE OF PERMITS AND LICENSES. (a) The commissioner may issue a permit to a municipality or qualified organization. The permit gives the municipality or qualified organization the privilege of conducting bingo, raffles and lotteries, pull-tab games, ice classics, rain classics, goose classics, mercury classics, salmon classics, dog mushers' contests, fish derbies, and contests of skill.

b) The commissioner may also issue a permit giving a municipality or qualified organization the privilege of conducting an activity involving the use of playing cards, dice, and numbers wheels . . . .

(c) The commissioner may issue an operator's license to a natural person to conduct an activity permitted under this chapter on behalf of a municipality or qualified organization . . . .

AS 05.15.110. AUTHORIZED ACTIVITIES A PRIVILEGE. The activities specified in AS 05.15.100 may be permitted as a privilege and do not confer a right upon any person to conduct the activities.

AS 05.15.115. CONTRACTS BETWEEN PERMITTEES AND OPERATORS. (a) A municipality or qualified organization holding a permit to conduct an activity under this chapter may enter into a contract with an operator licensed under this chapter to conduct on behalf of the municipality or qualified organization those activities permitted under the authority of the permit.

AS 05.15.122. OPERATOR'S LICENSE. (a) A person, municipality, or qualified organization may not conduct an activity subject to this chapter on behalf of a municipality or qualified organization unless the person, municipality, or qualified organization has received an operator's license issued by the department.

Honorable Jane Angvik  
Commissioner  
663-90-0399

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Page 4

In particular, AS 05.15.122(a) appears to operate as an express prohibition against the use of unlicensed third-party vendors. In addition, all of these quoted provisions seem at odds with the notion that vendors who are neither municipalities or qualified organizations, nor licensed operators could conduct the gaming activities that are regulated under AS 05.15. 4/

In short, it is our opinion that under the present laws dealing with charitable gaming, third-party vendors cannot be authorized to engage in charitable gaming activities. If you have any questions, please let us know.

GIA:prn

cc: Representative Dave Donley

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4/ We also note that under AS 05.15.124, a municipality may prohibit "an operator from conducting activities under this chapter within the municipality." Yet, if third-party vendors may legally operate, the municipality might not have the authority to prohibit their activities. Such a result would be inconsistent with the concept of local option with respect to such activities.

STATE OF ALASKA

WALTER J. HICKEL, GOVERNOR

**DEPARTMENT OF COMMERCE &  
ECONOMIC DEVELOPMENT**

P.O. BOX D  
JUNEAU, ALASKA 99811-0800  
PHONE: (907) 465-2534

*DIVISION OF OCCUPATIONAL LICENSING*

December 21, 1990

Dear Permittee/Operator:

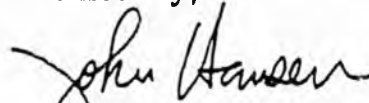
The Attorney General has advised the Department of Commerce and Economic Development, Division of Occupational Licensing, in an opinion dated October 24, 1990, that pull-tab sales by other than permittees and licensees are not authorized. The opinion holds that the department does not have authority to authorize vendor participation in pull-tab sales. Accordingly, this week the Department of Law notified the Division of Occupational Licensing's Gaming Section that permits or licenses are not to be issued by the department to, or for the use of, anyone except a qualified permittee or licensee.

Effective January 1, 1991, pull-tab sales at vendor locations may no longer occur. Therefore, on or before December 31, 1990, all **unopened** pull-tab games held by a vendor(s), and all pull-tab games in play at a vendor location, must be collected by the permittee or operator on whose behalf the pull-tab games are being conducted.

As of January 1, 1991, no pull-tab sales may occur at any location other than the licensed gaming premises of a permittee or operator. Gaming activity that occurs at any unlicensed premises or locations will be considered a violation of gaming statutes.

We very much regret this short notice and thank you in advance for your cooperation. A letter providing details regarding implementation of this directive will follow.

Sincerely,



John Hansen  
Gaming Program Manager

JH/lis9718s  
122190a

# STATE OF ALASKA

## DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

### DIVISION OF OCCUPATIONAL LICENSING

January 16, 1991

what questions can do  
Section F - upset  
WALTER J. HICKEL, GOVERNOR

P.O. BOX D  
JUNEAU, ALASKA 99811-0800  
PHONE: (907) 465-2534

Attention Charitable Gaming Permittees, Operators, and Distributors:

Re: Emergency Regulations  
Location of of Certain Gaming Activities

The Attorney General's office decision to halt vendor participation in the sale of pull-tabs raised a related question: Under what circumstances may a permittee which prefers not to contract with an operator, or an operator who uses retail outlets continue to utilize these locations to conduct its gaming activities?

Under current law, an organization granted a gaming permit may either conduct its gaming activities using its own employees or members or it may contract with an operator to conduct gaming activities on its behalf. For the past two years, however, both permittees and operators alike have utilized vendor locations and the vendors' employees to actually conduct gaming activities on their behalf. The Attorney General's recent action clarified that neither permittees nor operators may allow vendors or their employees to actually participate in the conduct of gaming activities (e.g., sell pull-tabs directly for an operator or a permittee).

In view of the AG's decision, a vendor and its employees can no longer be involved in any way in the actual conduct of a gaming activity. For our purposes, the term "vendor location" refers to any location or space not owned or leased exclusively by a permittee or operator for its permitted or licensed gaming activities.

Because permittees and operators rent or lease space from a variety of locations, including local municipal halls, local fraternal halls, other permittee-owned locations, as well as bars, restaurants, and other retail outlets, the department needed an answer to the question of where gaming activities could be conducted outside of permittee- or operator-owned and operated locations. Many different scenarios were presented to the department in the last two weeks, as permittees and operators sought licensure for their 1991 gaming activities. Because of the AG's opinion, before issuing permits, the department sought guidance from the Governor. Those questions have been answered and are now incorporated in the emergency regulations enclosed.

January 16, 1991

In accordance with this regulation, permittees or operators wishing to conduct gaming activities in a retail location other than its customary place of business will need to submit the following information:

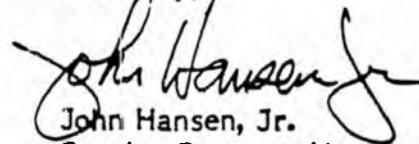
- a. Business name of location.
- b. Street address and phone number.
- c. Type of gaming activity.
- d. Name of employees or members conducting the activity at each location.
- e. Copies of signed lease agreement for each location.

Any open pull-tab games removed from sale as a result of the AG's opinion may be returned to play by the permittee or operator under the above scenarios.

Telefax copies of this information or applications will not be accepted.

If you have any questions, please feel free to contact this office.

Sincerely,



John Hansen, Jr.  
Gaming Program Manager

JH/11s0009s1  
011591a

# EMERGENCY REGULATION

## NOTICE OF ADOPTION OF AN EMERGENCY REGULATION BY THE DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT GAMES OF CHANCE AND SKILL

### LOCATION AND CONDUCT OF GAMING ACTIVITIES

As require by AS 44.62.250, notice is given that, under authority vested by AS 05.15.060, the Department of Commerce and Economic Development, on January 14, 1991, adopted as an emergency regulation, 12 AAC 34.910, LOCATION AND CONDUCT OF CERTAIN GAMING ACTIVITIES, which allows permittees and operators to conduct certain gaming activities at a place other than its own customary place of business (e.g., a permittee may sell pull-tabs from the premises of a private business). This emergency regulation

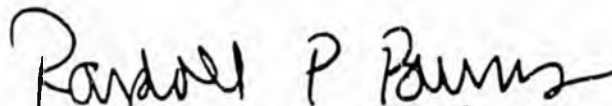
- (1) limits the amount a permittee or operator may pay for space leased from a business establishment;
- (2) requires a written lease between the permittee/operator and the business establishment;
- (3) limits the sale of pull-tabs at locations where bingo is also being played;
- (4) requires that pull-tab sales be conducted in a distinct area within the business establishment and that receipts from gaming activity be accounted for separately;
- (5) establishes strict requirements on who may and may not conduct gaming activity at a business establishment and limits the compensation they may receive;
- (6) defines "employee."

This emergency regulation took effect on January 15, 1991.

Notice is also given that the Department of Commerce and Economic Development intends to make this regulation permanent under AS 44.62.260. Any person interested may make comments relevant to this emergency regulation by submitting them in writing to Kevin Henderson, Regulations Specialist, Division of Occupational Licensing, P.O. Box D, Juneau, AK 99801, so that they are received no later than MONDAY, APRIL 1, 1991.

A copy of this emergency regulation and the department's Finding of Emergency may be obtained by writing to the address indicated above.

This action is not expected to require an increased appropriation.

  
Randall P. Burns, Director  
Division of Occupational Licensing

DATE: January 14, 1991

## FINDING OF EMERGENCY

The Department of Commerce and Economic Development (the Department) finds that an emergency exists and that the emergency adoption of the attached regulation is necessary for the immediate preservation of the public's peace, health, safety, or general welfare. The facts constituting the emergency are as follows:

On October 24, 1990, the Attorney General issued an opinion stating that only permitted qualified organizations, permitted municipalities, and licensed operators are authorized to conduct charitable gaming under AS 05.15. Therefore, the sale of pull-tabs by so-called third-party vendors is not authorized under the existing charitable gaming statutes. See 1990 Inf. Att'y Gen. Op. (663-90-0399; October 24).

Third-party vendor sales of pull-tabs had been occurring before the issuance of the opinion, and continued after its issuance under permits issued for calendar year 1990 to permittees for third-party vendor locations. The administration under Governor Steve Cowper deferred taking action on the issue in favor of letting the new administration (scheduled to take over state government on December 3, 1990) decide how to deal with the third-party vendor issue.

In the meantime, all charitable gaming permits, including those issued for third-party locations, were scheduled to expire on December 31, 1990. On December 21, 1990, the Attorney General advised the acting Commissioner of the Department of Commerce and Economic Development that the department could not authorize anyone to conduct charitable gaming activities other than a permittee or licensee. Thus, the department was not authorized to renew and has not renewed any permits issued for charitable gaming activities conducted by third-party vendors.

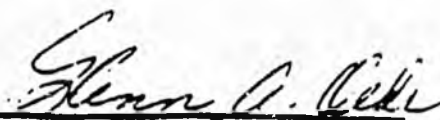
As the department attempts to both assist the winding down of unauthorized activities and determine which of literally hundreds of renewal permit applications may properly be issued, it has become apparent that immediate regulatory guidance is necessary in order to clearly describe those charitable gaming activities that are permissible and to allow the department to timely issue charitable gaming permits to those organizations entitled to permits. In addition, emergency regulatory action is necessary to halt a potentially devastating loss of income to permittees.

ADOPTION ORDER

Therefore, under the authority of AS 05.15.060, the regulation is adopted by the Department of Commerce and Economic Development as an emergency regulation to take effect immediately upon filing by the lieutenant governor, as provided for in AS 44.62.180(3).

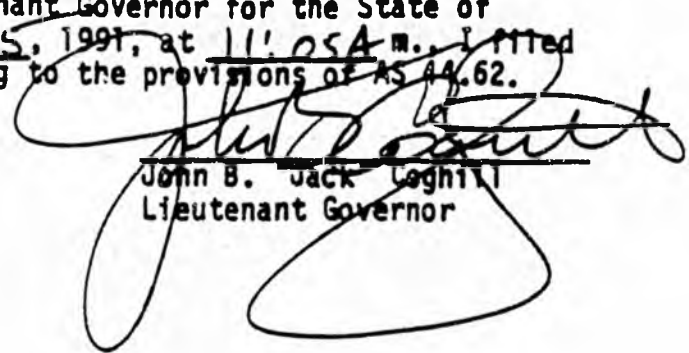
This action is not expected to require an increased appropriation.

DATE: 1/14/91  
Juneau, Alaska

  
Glenn A. Olds, Commissioner  
Department of Commerce and  
Economic Development

FILING CERTIFICATION

I, John B. "Jack" Coghill, Lieutenant Governor for the State of Alaska, certify that on January 15, 1991, at 11:05A m., I filed the attached regulations according to the provisions of AS 44.62.

  
John B. Jack Coghill  
Lieutenant Governor

Effective: January 15, 1991.  
Register: 117, April 1991.

12 AAC 34 is amended by adding a new section to read:

12 AAC 34.910. LOCATION AND CONDUCT OF CERTAIN GAMING ACTIVITIES. (a) A permittee or an operator may lease space at a place other than its customary place of business in order to conduct gaming activities. The lease must be in writing. The rent paid by a permittee or an operator for the space actually used to conduct the gaming activities may not exceed the average cost per square foot of comparable space. The permittee or the operator may pay no other compensation to the lessor for the use of that location.

(b) The department will issue a separate permit for each location at which gaming activities are to be conducted under (a) of this section. A permit must be posted at a location before gaming activities are conducted by a permittee or an operator. The application for a permit under this section must include a copy of the lease and a list of the operator's employees or the permittee's members or employees who will conduct the gaming activities for the permittee or the operator.

(c) When pull-tabs are sold under (a) of this section at a location at which bingo games are also conducted, the pull-tabs may be sold only during the time bingo games are conducted and only in accordance with the other provisions of this section.

(d) All pull-tab sales conducted under (a) of this section must be conducted in an identifiably distinct area of the location.

(e) All gaming receipts from sales conducted under (a) of this section must be kept separate at all times from other business receipts at the location.

(f) Only an employee or member of a permittee may conduct gaming activities under (a) of this section for a permittee. Only the employee of an operator may conduct gaming activities under (a) of this section for an operator. An employee of the lessor of a location under (a) of this section may not conduct gaming activities for a permittee or an operator. In addition, the employee or member of a permittee or the employee of an operator

(1) must be present at all times when gaming activities are being conducted;

(2) is the only person at the location who may conduct gaming activities; and

(3) may only be paid a wage that does not exceed \$10.00 per hour.

(g) In addition to the requirements of AS 05.15.187(e), a person under the age of 19 may not sell pull-tabs.

(h) An operator conducting gaming activities under (a) of this section who is the owner of the location at which the gaming activities are conducted must also comply with the provisions of this section.

(i) In (f) of this section, the term "employee" has the meaning in 12 AAC 34.200(b). (Eff. / / , Register )

Authority: AS 05.15.060

# **PROPOSED REGULATIONS**

**Department of Commerce and Economic Development**

## **GAMES OF CHANCE AND SKILL**

Notice is given that the Department of Commerce and Economic Development, under authority vested by AS 05.15.080, AS 05.15.130, and Chapter 33, SLA 1990, proposes to adopt regulations in Title 12 of the Alaska Administrative Code dealing with gaming on the airwaves, operator licensing and security, limitations on pull-tab sales, selling pull-tabs, withdrawal of a pull-tab series, other games of chance and skill authorized by the commissioner, limits on authorized expenses, revocation of a permit or license, prohibited financial interest, contests of skill definitions, and deletion of old regulations, all of which serve to implement, interpret, or modify specific AS 05.15.060, AS 05.15.130, and Chapter 33, SLA 1990, as follows:

1. 12 AAC 34.100, CONDUCT OF GAMING ON THE AIRWAVES, is a new section that addresses who may and may not conduct and advertise gaming activity via the broadcast media; the department is seeking comments on this issue as requested by the 1990 Legislature in accordance with House Bill 587 (Ch. 33, SLA 1990);
2. 12 AAC 34.210. OPERATOR APPLICATION REQUIREMENTS, is a new section that identifies the application and bonding/ security requirements for an operator license that are satisfactory to the department, including security in the form of lienable real property (replaces 15 AAC 105.320);
3. 12 AAC 34.400, LIMITATIONS ON PULL-TAB SALES, is amended by adding a new provision that limits the dollar amount of a pull-tab game prize;
4. 12 AAC 34.410, PULL-TAB PARTICIPATION, is a new section that prohibits certain individuals from selling pull-tabs;
5. 12 AAC 34.420, WITHDRAWAL OF A PULL-TAB SERIES, is a new section that identifies the circumstances under which a pull-tab series may be withdrawn from play before it has been completely played out and identifies how withdrawn pull-tabs are to be accounted for, returned to play, or destroyed;
6. 12 AAC 34.600, OTHER GAMES AUTHORIZED BY THE COMMISSIONER, identifies and places limitations on specific special draw raffle games that are authorized by the commissioner;
7. 12 AAC 34.700, MAXIMUM ALLOWABLE DEDUCTIONS FOR AUTHORIZED EXPENSES, is a new section that sets a limit on the total amount of expenses that may be deducted from a permittee's pull-tab activity and sets a limit on the amount of advertising expenses that may be deducted from all gaming activity of a permittee;
8. 12 AAC 34.800, DENIAL, SUSPENSION OR REVOCATION OF A PERMIT OR LICENSE, is a new section that identifies for what reasons the department may deny an application or take disciplinary action against a permittee or licensee and provides for the process of appealing a disciplinary action (replaces 15 AAC 105.190(a));
9. 12 AAC 34.810, PROHIBITED FINANCIAL INTEREST, is a new section that clarifies when a prohibited financial interest exists among permittees, operators, distributors and manufacturers;

10. 12 AAC 34.980, CONTEST OF SKILL DEFINITIONS, is a new section that deals with marksmanship, races, and other athletic events;
11. 12 AAC 34.990, DEFINITIONS, is amended by adding a number of new definitions; and
12. The following regulations will be deleted: 15 AAC 105.160, 15 AAC 105.190(a), 15 AAC 105.320, 15 AAC 105.325, and 15 AAC 105.335.

Notice is also given that oral or written comments can be made during one of the following public hearings:

**TELECONFERENCE: MONDAY, JANUARY 7, 1991**  
9:00 a.m. to 12:00 p.m.

at the following Legislative Information Office teleconference network sites.

BARROW, Court Building  
 BETHEL, 301 Willow Street  
 JUNEAU, Butrovich Room, C205, Capitol Building  
 KENAI/SOLDOTNA, 34832 Kalifonky Beach Road  
 KODIAK, Kodiak Plaza Building, 112 Mill Bay Road  
 KOTZEBUE, Eskimo Building, 333 Front Street  
 NOME, State Building, 2nd Floor, Front Street

**ANCHORAGE: TUESDAY, JANUARY 8, 1991**  
10:00 a.m. to 1:00 p.m.  
Egan Civic and Convention Center  
Space 2, 555 W. 5th Avenue

**FAIRBANKS: WEDNESDAY, JANUARY 9, 1991**  
10:00 a.m. to 1:00 p.m.  
Noel Wien Library,  
Auditorium  
1215 Cowles Street

All hearings will continue only as long as there are participants.

Notice is also given that any person interested in making written comments or suggestions relevant to these proposals for commission and department consideration may do so by mailing those comments to Kevin Henderson, Regulations Specialist, Division of Occupational Licensing, P.O. Box D, Juneau AK 99811, so that they are received no later than WEDNESDAY, JANUARY 9, 1991.

Copies of the proposed regulations may be obtained by writing to the above address or by telephoning (907) 465-2537.

This action is not expected to require an increased appropriation.

The Department of Commerce and Economic Development, after the deadline stated above, will either adopt these or other proposals dealing with the same subject, without further notice, or decide to take no action on them.

Date: 11/16/90

Randall P. Burns  
 Randall P. Burns, Director  
 Division of Occupational Licensing

PROPOSED REGULATIONS  
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT  
DIVISION OF OCCUPATIONAL LICENSING

GAMES OF CHANCE AND SKILL

(Words underlined indicate language being added; words [CAPITALIZED AND BRACKETED] indicate language being deleted. New sections do not use underlining or bracketing.)

(Publisher: Please renumber the existing articles to read:

Article 1, Operators, to ARTICLE 2, OPERATORS;  
Article 2, Full-tab Manufacturing and Distribution, to  
ARTICLE 3, FULL-TAB MANUFACTURING AND DISTRIBUTION;  
Article 3, Full-tab Games, to ARTICLE 4, FULL-TAB GAMES;  
Article 4, Bingo Games, to ARTICLE 5, BINGO GAMES; and  
Article 5, General Provisions, to ARTICLE 9, GENERAL  
PROVISIONS)

12 AAC 34 is amended by adding a new article to read:

ARTICLE 1.  
PERMITS AND PERMITTEES

12 AAC 34.100. CONDUCT OF GAMING ON THE AIRWAYS. (a) A game of chance and skill authorized under AS 05.15.100(a) may be conducted on the airways only by a permittee and only if the permittee

(1) is a not-for-profit organization exempt from federal taxation under 26 U.S.C. 501(c)(3) (Internal Revenue Code); and

(2) has not contracted with an operator for the conduct of the game being played on the airways.

(b) Only a permittee qualified under (a) of this section, to conduct gaming activity on the airways, may advertise its gaming activity on the airways. (Eff. / / , Register )

Authority: Sec. 2, ch. 33, SLA 1990

AS 05.15.060

AS 05.15.130

AS 05.15.180

12 AAC 34 is amended by adding a new section to read:

12 AAC 34.210. OPERATOR APPLICATION REQUIREMENTS. (a) An applicant for an operator license shall submit

(1) an original application on a form provided by the department;

(2) the nonrefundable license fee required by AS 05.15.122;

(3) the bond or security satisfactory to the department as required by AS 05.15.122(b)(5).

(b) In AS 05.15.122(b)(5) and in this section, a "bond or security satisfactory to the department" means that the bond or security

(1) meets the requirements of AS 05.15.167;

(2) will be in effect for a term of two years from the date the operator license is issued; and

(3) if a certificate of deposit, is in the name of the State of Alaska in trust for the applicant and accompanied by a completed assignment of negotiable instrument form provided by the department.

(c) The department will, in its discretion, accept lienable real property located in Alaska as security required for an operator license.

(d) Except when the applicant is a municipality, two copies of the application must be submitted to the city or borough nearest the proposed gaming activity for consideration by the local government unit. An applicant shall also retain a copy of the application. (Eff. / / , Register )

Authority: AS 05.15.060

AS 05.15.122

12 AAC 34.400 is amended to read:

12 AAC 34.400. **LIMITATIONS ON PULL-TAB SALES.** (a) In accordance with AS 05.15.187, a pull-tab may be sold only if

- (1) all pull-tabs in the series being played have the same series number;
- (2) the entire pull-tab series is available for play at only one location;
- (3) a pull tab series contains the entire prize structure for that series.

(b) A pull-tab game may not be sold in this state if

- (1) the prize structure for that game is spread across more than one pull-tab series within that game; or
- (2) a single prize in that pull-tab game exceeds \$500.

(Eff. 6/3/90, Register 114; am / / , Register )

Authority: AS 05.15.160  
AS 05.15.130  
AS 05.15.187  
AS 05.15.210

12 AAC 34 is amended by adding a new section to read:

12 AAC 34.410. **PULL-TAB PARTICIPATION.** (a) A person may not participate as a player in any pull-tab series from which that person sold a pull-tab to another player.

(b) In addition to the requirements of AS 05.15.187(e), a person under the age of 19 years may not sell pull-tabs.

(Eff. / / , Register )

Authority: AS 05.15.060  
AS 05.15.130  
AS 05.15.187

12 AAC 34 is amended by adding a new section to read:

12 AAC 34.420. **WITHDRAWAL OF PULL-TAB SERIES.** (a) Except as provided in (b) of this section, a pull-tab series opened for play may not be withdrawn from play unless all pull-tabs in that series are sold.

(b) A pull-tab series opened for play may be withdrawn from play only for the following reasons and under the following conditions:

- (1) the permittee's prize award limitation, as identified in 12 AAC 34.900, has been reached for the calendar year; when the permittee is authorized to conduct pull-tab activities for the next calendar year, play of the withdrawn pull-tab series must be resumed immediately;
- (2) the permit under which the pull-tab series is being played has been suspended or revoked; when the permit is reissued or the suspension is lifted, play of the withdrawn pull-tab series must be resumed immediately;
- (3) an operator temporarily discontinues the use of a permit to allow for the rotating use of another permit; when the operator resumes use of the permit, the withdrawn pull-tab series must be returned to play immediately;
- (4) a permittee discontinues employment of an operator; immediately following the date on which the permittee discontinues employment with the operator the pull-tab series must be inventoried and returned to the authorizing permittee; when the permittee, or the permittee's new operator, resumes pull-tab activities the withdrawn pull-tab series must be returned to play immediately;
- (5) pull-tabs are lost, stolen, or damaged as a result of a natural disaster, including fire or flood, as long as such circumstances are documented in writing and submitted to the department within ten days of the incident;
- (6) a permittee discontinues conducting all pull-tab activities; all pull-tabs open for play still in the

possession of the permittee shall be withdrawn and destroyed immediately after the department has approved their destruction; (7) the permit under which the pull-tab series is being sold is not renewed by the permittee or the permit renewal is denied by the department; all pull-tabs open for play still in the possession of the permittee shall be withdrawn and destroyed immediately after the department has approved their destruction.

(c) When a pull-tab series opened for play is withdrawn, the permittee or operator shall retain all remaining unplayed pull-tabs and all winning pull-tabs that have already been played. Pull-tabs may be destroyed only after the department has approved their permanent withdrawal from play. (Eff. / / , Register )

Authority: AS 05.15.060  
AS 05.15.180  
AS 05.15.187

12 AAC 34 is amended by adding a new article to read:

ARTICLE 6.  
RAFFLES, MONTE CARLO, AND OTHER GAMES

12 AAC 34.600. OTHER GAMES AUTHORIZED BY COMMISSIONER.

(a) The following special draw raffles are authorized by the commissioner under AS 05.15.130:

(1) ring-toss, where the player tosses rings over a bottle or other similar object;

(2) penny pitch, where the player tosses pennies or other coins into glassware or similar objects and if the coin remains in the dish, the player receives a prize;

(3) fish pond, where the player hooks a weighted fish with a number on it and that number corresponds to the number of a prize on display;

(4) duck pond, where the player selects a floating duck and the number on the bottom of the duck corresponds with the number of a prize on display;

(5) string game, where a player selects a string and wins the prize attached to it;

(6) baseball game, where the player must toss a baseball into a numbered object to win a prize;

(7) dart game, where

(A) numbered slips of paper are placed on nails holding the various targets with the numbers turned away from the player and the total score made determines the prizes; or

(B) a wheel divided and numbered in eight sections is spun and one person throws a dart to determine the number that corresponds to the number on a laydown board on which each player has placed money;

(8) grab bag, where each player pays a fee for the right to select a wrapped or bagged package containing a prize;

(9) bean guess, where a person guesses the number of beans in a container and the person with the closest guess wins a prize;

(10) hamster game, where a hamster is placed in an enclosure with several numbered exit holes and the winner is determined by the hole in which the hamster exits.

(b) The commissioner will, in the commissioner's discretion, authorize other special draw raffles or variations on the special draw raffles authorized in (a) of this section.

(c) A charge for a single opportunity to participate in a special draw raffle authorized under this section may not exceed \$1.00.

(d) In this section, "special draw raffle" means a raffle where the winner is selected by any means other than a drawing from a container. (Eff. / / , Register )

Authority: AS 05.15.060  
AS 05.15.100  
AS 05.15.130  
AS 05.15.180

**ARTICLE 7.  
ACCOUNTING AND RECORDKEEPING**

**12 AAC 34.700. MAXIMUM ALLOWABLE DEDUCTIONS FOR AUTHORIZED EXPENSES.** (a) The total amount of authorized expenses that may be deducted for advertising, under 15 AAC 105.220(b)(3), may not exceed five percent (5%) of the adjusted gross income for that gaming activity.

(b) The total amount of authorized expenses that may be deducted from all pull-tab activity by a permittee may not exceed 40 percent (40%) of the adjusted gross income from that pull-tab activity. (Eff. / / , Register )

Authority: AS 05.15.060

12 AAC 34 is amended by adding a new article to read:

**ARTICLE 8.  
SUSPENSION AND REVOCATION OF LICENSE OR PERMIT.**

**12 AAC 34.800. DENIAL, SUSPENSION OR REVOCATION OF A PERMIT OR LICENSE.** (a) The department will, in its discretion, deny, suspend or revoke a permit or license if the applicant, permittee, or licensee

(1) makes a false statement or reports false information on an application for a permit or license or on a report required under AS 05.15, 15 AAC 105, or this chapter;

(2) fails to provide the information, documentation or fees required as a part of the application or reporting process;

(3) fails to meet the necessary qualifications for a permit or license;

(4) fails to pay a tax, fee, penalty, or interest payment due to the department or an authorizing permittee;

(5) alters or allows to be altered a permit or license issued by the department;

(6) allows the use of a permit or license by other person, except when a permittee contracts with a licensed operator;

(7) violates, or allows an employee to violate, any provision of AS 05.15, 15 AAC 105, or this chapter;

(8) fails to timely file a report or supplemental information required by AS 05.15, 15 AAC 105, or this chapter;

(9) fails to keep and retain sufficient books or records to substantiate a report required under AS 05.15, 15 AAC 105, or this chapter;

(10) fails to provide any information or documentation requested by an authorizing permittee, the department, or the department's representative necessary to substantiate a report required under AS 05.15, 15 AAC 105, or this chapter;

(11) pays, incurs or charges unreasonable or exorbitant expenses or fees;

(12) fails to remit the pull-tab tax to the pull-tab distributor when the pull-tabs are distributed;

(13) fails to pay the permittee the minimum return required by AS 05.15.128;

(14) is found to have a prohibited financial interest in a gaming activity;

(15) allows an employee or any other person to be responsible for the conduct of gaming activities who has

(A) within the preceding five years, been convicted of, in prison for, or on parole for a felony;

(B) been convicted of a crime involving theft or dishonesty or of a violation of any municipal, state, or federal gambling law; or

(C) a prohibited financial interest in the operation of the activity;

(16) uses, or allows the use of, net proceeds derived from gaming activities for purposes other than that allowed under AS 05.15, 15 AAC 105, or this chapter;

(17) deceives or defrauds any person;

(18) fails to cooperate with the department's representatives by

(A) denying access to a site where gaming activities are being conducted; or

(B) failing to promptly produce for inspection or audit a book, record, or document required by law or regulation;

(19) receives an unfavorable review of financial statements under AS 05.15.165; or

(20) uses someone other than a licensed operator or employee, as defined in 12 AAC 34.200(b), to conduct gaming activity on their behalf.

(b) A permit or license will be summarily suspended for 30 days if the permittee or licensee receives three violation notices within any 12 month period.

(c) A person who has had a permit or license suspended or revoked, or an applicant who has been denied a permit or license, may request a hearing under 15 AAC 105.190(b)-(d) and 15 AAC 105.195 to determine the validity of the department's action. (Eff. / / , Register )

Authority: AS 05.15.030

AS 05.15.040

AS 05.15.050

AS 05.15.060

AS 05.15.122

AS 05.15.128

AS 05.15.140

AS 05.15.170

12 AAC 34.610. PROHIBITED FINANCIAL INTEREST. (a) A permittee or licensee may not have a prohibited financial interest, or employ, contract with, or allow a person to participate in activities authorized by AS 05.15 who has a prohibited financial interest in any gaming activity.

(b) In addition to other prohibited financial interests the department may find, a permittee, licensee, or person participating in gaming activity has a prohibited financial interest when that permittee, licensee, person, or a direct relative of a permittee, licensee or person

(1) participates in the operation of a gaming activity while also receiving compensation for the use of equipment or facilities used to conduct that gaming activity, unless licensed as an operator;

(2) conducts gaming activity while at the same time selling bingo equipment, pull-tabs, tickets or supplies in connection with that gaming activity at a price that is higher than the normal retail price offered to all other customers.

(c) An operator has a prohibited financial interest in a gaming activity when the operator, or the operator's direct relative,

(1) is licensed in this state as a pull-tab distributor or pull-tab manufacturer;

(2) is an officer, director, or manager of a corporation, business, or organization that is licensed in this state as a pull-tab distributor or pull-tab manufacturer; or

(3) owns or controls more than 10 percent of the assets or stock of a corporation, business, or organization that is licensed in this state as a pull-tab distributor or pull-tab manufacturer.

(d) A permittee or operator may not purchase and a manufacturer or distributor may not sell or deliver a pull-tab series or game to a permittee or operator, unless payment is made in full, either by cash or by check made payable to the seller, within 30 days of the actual delivery of the pull-tab series or game to the permittee or distributor.

(e) A permittee or operator may not allow anyone to acquire any interest, including a security interest, in a pull-tab series or game.

(f) A permittee or operator may not accept a loan of money, or anything else of value, from a manufacturer, distributor, or anyone connected with gaming activity. (Eff. / / , Register )

12 AAC 34 is amended by adding a new section to read:

12 AAC 34.988. CONTESTS OF SKILL DEFINITIONS. In AS 05.15.210(7)

- (1) "marksmanship" includes contests of skill based on rifle, pistol or archery matches in which awards are given;
- (2) "races" includes any test or race of physical endurance or skill performed by the individual contestants;
- (3) "other athletic events" are physical events which include generally recognized track and field events based on personal physical ability or skill. (Eff. / / , Register )

Authority: AS 05.15.060  
AS 05.15.100  
AS 05.15.210

12 AAC 34.990 (DEFINITIONS) is amended by adding new sections to read:

(4) "direct relative" means a person's spouse, children, parent, or other regular member of that person's household;

(5) "licensee" means a person, municipality or entity that has obtained a current license as an operator, pull-tab distributor, or pull-tab manufacturer from the department;

(Eff. 6/3/90, Register 114; am / / , Register )

Authority: AS 05.15.060  
AS 05.15.130  
AS 05.15.210

(EDITOR'S NOTE: The Department of Law is requested to delete the following regulations:

- 15 AAC 109.160. CONTESTS OF SKILL. Deleted / / .  
15 AAC 109.320. OPERATOR LICENSE AND BOND.  
Deleted / / .  
15 AAC 109.325. MINIMUM RETURN TO PERMITTEE.  
Deleted / / .  
15 AAC 109.335. PULL-TAB TAX. Deleted / / .  
15 AAC 109.190(a) is deleted  
(a) Deleted / / .  
(Eff. 9/7/60, Register 2; am 11/6/76, Register 60; am 9/17/86, Register 99; am 10/1/88, Register 107; am 1/21/89, Register 109; am / / , Register )

Authority: AS 05.15.060  
AS 05.15.083  
AS 05.15.087  
AS 05.15.122  
AS 05.15.140  
AS 05.15.170



LAWS OF ALASKA

1990

Source

Chapter No.

SCS CSHB 587(L&C)

33

AN ACT

Establishing a moratorium on the use of broadcasting to promote or conduct charitable gaming activity; establishing exceptions to the moratorium, requiring the Department of Commerce and Economic Development to hold hearings on the adoption of regulations concerning the promoting and conducting of charitable gaming activity over broadcasting outlets; and providing for an effective date.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

AN ACT

Establishing a moratorium on the use of broadcasting to promote or conduct charitable gaming activity; establishing exceptions to the moratorium; requiring the Department of Commerce and Economic Development to hold hearings on the adoption of regulations concerning the promoting and conducting of charitable gaming activity over broadcasting outlets; and providing for an effective date.

"noncommercial broadcasting station" means a radio or television station that is licensed by the Federal Communications Commission to a governmental entity or to an entity that is exempt from federal taxation under 26 U.S.C. 501(c)(3) (Internal Revenue Code).

\* Sec. 3. The Department of Commerce and Economic Development shall hold hearings around the state, with at least one hearing in each judicial district, for the purpose of adopting regulations to implement sec. 2 of this Act and making recommendations, including consideration of on-the-air promotion, to the legislature no later than January 31, 1991, regarding the promoting and conducting of charitable gaming activities over broadcasting outlets.

\* Sec. 4. This Act takes effect immediately under AS 01 10 070(r).

\* Section 1. Until the effective date of a bill authorizing the use of broadcasting to promote or conduct charitable gaming activity under AS 05.15 a person may not use broadcasting to promote or conduct charitable gaming activity under AS 05.15. In this section, "broadcasting" includes television and radio transmission by 2,500 megahertz, microwave video and audio programming, slow-scan television programming, and programming via satellite, cable, teletype, or facsimile transmission and distribution methods.

\* Sec. 2. Notwithstanding sec. 1 of this Act, a person may use broadcasting to promote fish derbies, and the Department of Commerce and Economic Development may authorize a noncommercial broadcasting station or network of stations to broadcast the conducting of an activity under AS 05.15 on the station or network under a permit held by the station or network. The department may not authorize a station to broadcast the conducting of an activity for more than 12 hours in a calendar year. In this section

### SUMMARY

## of Written Testimony offered by Roger Cunningham 3/1/81

Allows  
Distr-Distr  
Sales ←

1. IN SUPPORT OF CHANGE TO AS 05.15.185 as proposed in HB168, Sec. 9:

Makes Such  
Sales  
Tax Exempt

2. REQUEST FOR CHANGE IN HB168, Sec. 8

{ \*Sec 8. AS 05.15.184 Pull-tab Tax:  
Strike the words: "or another distributor" on line 23.

Allows Distros To  
Deliver

3. REQUEST FOR CHANGE IN HB168, Sec. 10

\*Sec 10. AS 05.15.183(e) Pull-tab distributor's license:  
Strike the words: "(3) deliver a pull-tab series to a vendor location." on line 8.

4. REQUEST FOR CHANGE TO HB168, Sec 10

I hereby request that section AS 05.15.183(b) be amended as follows:

(b)(THE DEPARTMENT MAY ISSUE A PULL-TAB DISTRIBUTORS LICENSE TO A PERSON WHO PAYS AN ANNUAL FEE OF \$1,000.) (b) The department may issue a pull-tab distributor's license to a natural person that:

Tightens Requirements  
to enforce  
Current Requirement  
that Pull tabs  
be distributed in  
State.

- (1) resides in the State of Alaska;
- (2) holds a valid Alaska Business License;
- (3) maintains a place of business in compliance with all applicable local zoning ordinances;
- (4) holds a managerial or ownership position in the proprietorship, partnership, or corporation of the distributor;
- (5) if the distributor does business as a corporation, shows proof of proper registration with the Department Commerce and Economic Development, Division of Corporations;
- (6) Applies on the form provided by the department;
- (7) pays an annual fee of \$1000.

Assures That  
ALL Records of  
Sales are  
maintained  
in-State.

Prevents out-of-  
State Audits

New Text Underlined, (DELETED TEXT BRACKETED)

SUMMARY, PAGE 2

5. REQUEST FOR CHANGE TO HB168, Sec. 10

I hereby request that section AS 05.15.183(c) be amended as follows:

(c) Pull-tabs may be distributed from a location in the state. A person may not distribute pull-tabs directly to another person in the state from a location outside of this state. Distribution from a location within this state is deemed to have occurred when:

Further  
Prevents  
"ghost  
Sales"

(1) a permittee, operator, or another distributor places an order with a pull-tab distributor within the state;

(2) Payment for such order is tendered to the pull-tab distributor within the state;

(3) All books and sales records of the pull-tab distributor are maintained at a location within the state.

6. REQUEST FOR CHANGE TO HB168, Sec. 9

I hereby request that section AS 05.15.185 be amended BY ADDING A NEW SUBSECTION as follows:

Allows  
Methakotlu  
Sales &  
Coast Guard

(b) Notwithstanding the provisions of subsection (a) above, pull-tabs may be distributed to another federal or state jurisdiction so long as all other provisions of this chapter are met.

New Text Underlined, (DELETED TEXT BRACKETED)

## Vendor Compensation

One of the provisions in HB168 that will come under consideration as it goes through the hearing process is the delicate balance over the 'split' between vendor and permittee.

This summary is compiled from statistical data presented in the February, 1991 issue of *Gaming and Wagering Business*, a trade Magazine provided to state lottery officials, horse racetrack officials, and management of legal casinos in Nevada and New Jersey. Statistics about Alaska Pull-tab games were supplied by TabTrak<sup>®</sup>, a Washita firm that provides gaming accounting services to permittees.

22 states pay vendors a BASE RATE of 5% (5 cents commission on each \$1 ticket). 2 other states pay 5.5% and 4 states pay 6% base rate.

In addition to BASE RATE, states generally offer various incentive bonuses which can nearly double the base:

1. California State Lottery offers vendors incentives for display of promotional material, in-store and co-op advertising allowances.
2. New Hampshire pays incentive bonuses to the SELLER of the WINNING ticket. Bonuses range from \$15 for a \$500 winner of an instant game to \$30,000 prize for selling the winning ticket in the \$million Megabucks lottery.
3. In Maryland and D.C., vendors are paid 4% for sales, plus an ADDITIONAL 3% for redeeming winning tickets.
4. Western Canada Lotteries pay vendors 5% for "on-line" lottery tickets and 10% for "off-line" instant tickets.

BASE RATES are for "on-line" games. "On-Line" means that state lotteries supply the vendor with computerized terminals which dispense the tickets. These terminals eliminate most security concerns and accomplish most of the daily accounting. These 2 items comprise most of the LABOR-INTENSIVE handling required to retail pull-tabs.

NONE OF THE STATE-RUN games are as labor-intensive as the retail sale of conventional pull-tabs.

As currently understood, vendors in Alaska are, (and will continue to be) responsible to the permittee or operator for:

1. OVERALL SECURITY of the game. The vendor IS RESPONSIBLE for any losses due to pilferage or theft. The permittee is

guaranteed 100% of what's due by statute and the contract required between permittee and vendor.

2. PRODUCTION OF RECEIPTS to winners of \$50.00 or greater. On-line terminals eliminate this paperwork.

3. DAILY SUMMARY of gaming activity. This includes sales; play-backs, in the case the customer trades a winning ticket for more pull-tabs; and payments to winners.

4. PAYMENT OF ALL PRIZES. Please note in Item 3 of the first section that Maryland and D.C. pay an additional 3% for vendors who perform this function. Pull-tabs are "instant win" games and the Alaska Vendor is responsible for ALL payments and for maintaining a bank (of his own funds) to accomplish this.

CNG asked the data-processing firm, TabTrak, to compare Alaska Pull-tab games in its database with the national statistics for lotteries. Based on nearly 10,000 games in its files, here's how pull-tabs compare:

Average Ideal Net for Alaska Pull-Tab Games:		\$646.70
Average Ticket Count of Alaska Games:		2,896.5
<b>Vendor Compensation: % of Ideal Net vs: Per Ticket</b>		
% of Ideal Net	\$ Amount	Per Ticket
25%	161.68	.0558
30%	194.01	.0669
35%	226.34	.0781
40%	258.68	.0903
45%	291.01	.1004
50%	323.35	.1116

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The comparison of vendor compensation as a % of ideal net to the amount on a "per ticket" basis clearly indicates that vendor compensation in the range of 35 - 45% of ideal net is in line with compensation paid to retailers of state lottery tickets. This level of compensation to vendors is further justified when the additional level of handling for pull-tabs is taken into account.

When responsibility for paying all winners falls on the vendor as well, compensation to the higher end of the scale is justified.

Alaska State Legislature  
House of Representatives



INTERIM

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SESSION

P.O. Box V  
Juneau, Alaska 99811  
(907) 465-2995

Representative Dave Choquette

SPONSOR STATEMENT

Sponsor: Dave Choquette

Subject: HB 168 -- An act licensing and regulating pull tab vendors

Date: March 5, 1991

-----

I introduced HB 168 to meet the needs and interests of charitable organizations in the State of Alaska. The bill does so in one key way. Namely, it authorizes vendor sales of pull tabs on behalf of the charity.

The "third party vendor" issue entered the limelight October 24, 1990, when the Attorney General wrote an opinion stating that use of vendors (e.g. retail outlets, bars, restaurants) for the sale of pull tabs was not provided by statute. Vendor sales of pull tabs stopped January 1, 1991, crippling those charities that self direct their pull tabs activities, and curtailing the profits returned to charities whose operators contracted with vendors for the sale of pull tabs. Should legislation recognizing vendors not pass this session, vendors cannot be authorized by regulation to conduct gaming activities. This would mean a tremendous loss for the not-for-profits.

HB 168 authorizes vendor sales of pull tabs by:

- a. requiring a written contract between the vendor and the permittee or operator which requires a return of at least 60%

of the ideal net to the permittee or operator. This will allow a charity to conduct their own pull tab activities if they so desire;

b. requiring the permittee or operator to apply to DCED for a vendor endorsement, with the \$50 collected vendor endorsement fee coming from the vendors;

c. providing DCED with the authority to approve or disapprove the vendor endorsement application based upon regulatory and statutory authority; and

d. creating a revenue generating program that will fund additional enforcement authority within DCED to combat vendor, operator, and permittee violations of gaming laws, and will provide additional revenue to the general fund.

HB168 also:

a. authorizes the distributor to distributor sale of pull tabs; and

b. increases the pay out limit in prizes for permittees using operators from \$500,000 to \$1 million.

HB 168 addresses a terrible void facing not-for-profits today. As they confront continued decline in resources due to diminishing block grant revenues, they need to have the option to solicit funds from the private sector. Vendor sales of pull tabs is a proven way of increasing their resources. With the increased enforcement authority this bill provides (at no cost to the operating budget I might add), it is a safe way of doing so as well. I believe HB168 will go far to keep not-for-profits an active voice and provider of service in this State.

# REPRESENTATIVE DAVE DONLEY

ALASKA STATE LEGISLATURE  
DISTRICT ELEVEN  
SEAT A

3111 "C" STREET, SUITE 450  
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CHAIRMAN

JUDICIARY COMMITTEE

VICE CHAIRMAN

REGULATION REVIEW COMMITTEE

MEMBER

RULES COMMITTEE

LABOR AND COMMERCE COMMITTEE

## Principles for Charitable Gaming

### 1. Maximum return to the charities

When the original statutes were written which allowed charitable gaming, gaming was allowed so that charities could raise funds. There is absolutely no indication that at any time the legislature set out to establish a "gaming industry" in the Alaska economy. As recently as the 1990 primary, the voters of Alaska rejected an initiative that would have legalized casino gambling and a wide range of other gaming activities.

It is clear that since gaming was legalized for the purpose of charitable fund raising, maximum return should go to the charities.

### 2. Gambling should not be made glamorous

As has been clearly demonstrated in states that have state lotteries, high payouts and heavy advertising induce people who would not normally gamble to gamble and induce those who do gamble to spend more. At no point has the legislature or the people of the state of Alaska indicated that they are interested in encouraging gambling. As the state regulates gaming, it should avoid encouraging gambling.

### 3. Charitable gaming activity should be conducted for the benefit of the greatest number of charities

Since the purpose of charitable gaming is to ensure that non-profit organizations have a funding base, it is in the best interests of the state to encourage equitable distribution of gaming related income. It would not be good public policy to allow a small number of charities or operators acting on behalf of a group of charities to monopolize this funding source.

DD/bb

JUNEAU OFFICE

(During Legislative Session January through May)



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Anchorage Daily News May 10, 1991

# Alaska charities fear effects as pull-tab sales ban nears

By MATT KOHLMAN  
The Associated Press

JUNEAU — Alaska charities said Thursday that lawmakers will hammer the last nail in their fund-raising coffin if they don't pass legislation this session to ease the state's pull-tab lottery regulations.

"There are many non-profits that are hanging on by a prayer and a promise," said Roger Cunningham, co-chairman of the Coalition for Non-Profit Gaming.

The state in January began prohibiting the sale of pull-tab lottery tickets in unlicensed outlets. State law requires operators to have licenses, but the law had never been enforced.

The ban was later revised to allow bars, restaurants and other third-party vendors to sell pull-tabs as long they received no compensation. The provision is set to expire Wednesday.

The Hickel administration may adopt the regulation as permanent or amend it, but it, too, is looking to lawmakers for a solution.

"We've been waiting for the legislature to act responsibly," said John Hansen, gaming manager for the Division of Occupational Licensing. "Until there's a change in the law we can't recognize vendor sales."

That has meant a loss of millions of dollars for the state's nearly 1,150 non-profit groups holding gambling permits.

Pull-tabs were being sold by as many as 2,500 vendors when the state began enforcing

the ban, Hansen said.

Now, "they've just virtually locked it up," said Cunningham, whose group represents about 30 Alaska charities.

The lack of pull-tab revenue has caused the Alaska Mental Health Association to drop suicide-prevention and low-income housing plans and concentrate on existing programs, said Dan Alexander, interim director for the group.

Don Brandon, executive director of the Easter Seal Society of Alaska, said his group has had to scale down its plans to hold a summer camp. The group would have received \$15,000 just from pull-tab games that were cut short by the ban, he said.

"That would have brought us in line with doing a camp ... that would look like a camp instead of a slumber party."

Two bills seek to resolve the issue, but both have been bottled up since early April in the judiciary committees.

Legislation sponsored by Sen. Fred Zharoff, D-Kodiak, would allow third-party vendors to sell pull-tabs under state regulation. It also would guarantee charities receive at least 70 percent of the money left over after paying prizes.

Senate bill 6 is supported by the Hickel administration, Hansen said. It is also acceptable to most non-profit groups.

House bill 168, introduced by Rep. Dave Choquette, R-Anchorage, is similar to the Senate bill.

*State of Alaska*  
*Department of Commerce and Economic Development*  
*Division of Occupational Licensing*  
*Games of Chance and Skill Section*

# **1989 Charitable Gaming Annual Report**

**This report is compiled as required by  
Alaska Statute 05.15.090**

**Larry Mercurieff  
Commissioner**

**April 20, 1990**

**ALASKA**  
**DEPARTMENT OF COMMERCE  
AND ECONOMIC DEVELOPMENT  
DIVISION OF OCCUPATIONAL LICENSING**

# HOUSE LABOR AND COMMERCE COMMITTEE

ALASKA STATE LEGISLATURE

P.O. BOX Y, JUNEAU 99811

(907) 465-3892



## **GAMBLING AND CHARITABLE GAMING**

### **Issues for the 1990's**

Prepared by  
Representative Dave Donley, Chair  
House labor and Commerce Committee  
October 1, 1990

In the last ten years Alaska has seen a great deal of attention focused on **gambling and charitable gaming issues** in the state. During the past legislative session alone there were over 20 gaming related bills introduced in the Alaska legislature. In addition, primary election voters considered and rejected a sweeping initiative that would have legalized casino gambling in Alaska along with a wide range of other gaming activities.

Following is a brief history of charitable gaming in Alaska outlining some of the reasons for this sudden upsurge of interest and laying out the areas of concern that **need to be addressed** by the legislature and state regulatory agencies in the next several months.

### **A HISTORY OF CHARITABLE GAMING IN ALASKA**

Since the 1960's, nonprofit charitable, religious, and educational organizations in Alaska have been permitted to conduct gaming activities to raise money for their programs.

Until the last five years, those activities have consisted almost entirely of bingo games and to a lesser extent, raffles and ice classics. Because of the inherent limitations on bingo games - they require a substantial capital investment in equipment, space and

personnel, players will purchase only the number of cards they can keep track of, there are statutory limits on prizes and number of games etc. - the profit margin is low and the competition is high. As a result, gaming activity had been kept at a minimum, confined to a few major bingo halls in urban areas and local community centers in rural Alaska, and the non-gaming public remained largely unaware of charitable gaming activity in the state.

In the 1980's, two things occurred that significantly changed the profile of charitable gaming in Alaska. The first was when pulltabs, authorized by regulations adopted in 1982, began to make up an ever increasing portion of charitable gaming proceeds. The second was the decline in state revenues in the late 1980's which served to 'up the ante' in that charitable organizations were hard pressed to obtain the funding needed to conduct their programs. For many of these organizations charitable gaming became the primary source of revenue. Because of the complexity of the gaming law and reporting requirements, many had hired "operators" to run their permits for them. However, under the law "operators" were not recognized and therefore, could not be regulated.

By 1987, regulation of charitable gaming in Alaska was in a state of chaos. The Department of Revenue, the agency responsible for regulating charitable gaming in the state, failed to get a handle on the situation by implementing new regulations or effectively working with the legislature to adopt the statutory changes that were necessary to accomplish meaningful control.

Finally, in 1987 the House Labor and Commerce Committee, working with the Department, introduced HB 299, the Alaska Charitable Gaming Reform Act, which was adopted by a near unanimous vote in 1988. HB 299 established strict licensing requirements for operators, including bonding, insurance, and criminal background checks, streamlined reporting requirements, set up an audit trail to track pulltab sales in the state, and generally provided for more accountability by the gaming industry across the board.

In the fall of 1988 and throughout 1989, before regulations implementing the Reform Act went into effect, organizations greatly increased the practice of placing their permits with "third party vendors" in retail sales outlets such as bars, restaurants and

convenience stores. The most common arrangement was for a permittee to place pulltabs purchased under their license in a local bar or grocery store where they were sold to the general public. When permittees first started using vendors in the mid 1980's, it was not unusual for a business to sell the pulltabs free of charge. That practice quickly fell by the wayside, however, and vendors today are routinely charging charities forty percent or more of the adjusted gross in order to sell their pulltabs.

In early 1989 the Governor ordered responsibility for the regulation of charitable gaming to be transferred from the Department of Revenue to the Department of Commerce. The temporary chaos that resulted from the switch, coupled with the heightened competition between charitable organizations and the phenomenal profits to be made by private retail outlets through the sale of pulltabs, caused the use of vendors to proliferate across the state.

However, since "vendors" are not permitted under law, they cannot be effectively regulated and are not subject to action by the Department. Because vendors work without regulation and without licenses, they offer a competitive edge impossible for a licensed operator or an organization that runs their own game to meet.

More importantly, vendors sell only pulltabs, which are not subject to the checks and balances inherent in bingo games. State law prohibits bingo from being played where alcohol is served. No such restrictions apply to pulltabs. Pulltabs can and are being sold where alcohol is served. They require little overhead and virtually no capital investment. The average payout on pulltabs is very high which creates a strong incentive to gamble. Finally, the Gaming Reform Act required an operator to make a minimum payback to permittees or face loss of licensure. This minimum was established as a floor, not a ceiling, and was based on a combined pulltab/bingo operation where the profit margin is significantly lower than with straight pulltabs. However, some say this minimum has become the "industry norm" even though it is clearly too low for a pulltab game.

One of the thorniest problems with vendors is that even though they routinely take half or better of the profits generated through pulltab sales, charities still make much more than they would if they ran

their own games or contracted with a licensed operator who combines pulltabs and bingo games.

### CHANGES IN FEDERAL GAMING LAWS

To further complicate the picture, several significant changes in federal law have greatly impacted charitable gaming operations. The first was implementation of a federal income tax on pulltab sales under IRS code section 511, a part of the 1986 federal tax reform act. The second was a lifting of the federal ban on advertising or conducting gaming activity over the airways (T.V., radio etc.) through the Charitable Gaming Advertising Clarification Act of 1988.

Under the changes in the tax code, income derived from pulltab sales may be subject to the unrelated business income tax (UBIT). Considerable controversy and confusion exists as to whether and in what circumstances the tax applies. Chairman Donley has requested a written determination from the IRS which will be distributed to Committee members upon receipt.

The Advertising Clarification act of 1988 lifted the FCC ban on use of the airways for gaming promotion, effective May 8, 1990 unless state law provides otherwise. Because advertising on the airways had always been a moot question under the federal ban, Alaska had no laws concerning the issue. The House Labor and Commerce Committee was concerned that charitable organizations would be at risk because of the lack of rules and regulations governing use of the airways for advertising. Because of this, the Committee introduced HB 587, a measure that simply extended the federal ban until the legislature adopts statutes governing the use of the airways. HB 587 gives the state and our non-profit organizations time to decide whether we want gaming activities to expand onto T.V. and radio and if so, under what circumstances. HB 587 was adopted by the legislature and signed into law on May 8, 1990.

Finally, persons involved in gambling whose compensation is based on a "percentage of the take" are subject to a federal excise tax on wagering. In addition, sales agents are required to file with the IRS and pay a filing fee. Few of the agents in Alaska who are selling

pulltabs on behalf of charitable organizations are currently in compliance with the federal gambling tax.

## PUBLIC POLICY ISSUES

### VENDORS

State law specifically allows two classes of people to conduct gaming activities: permitted organizations and their employees and licensed operators and their employees. Since all other gaming activity is prohibited by law except that which is specifically authorized, it is the position of the chairman of the committee that sponsored the Reform Act, legislative legal services, and a 1987 Attorney General's opinion that sale of pulltabs by any other entity (vendors) is in violation of the law.

Since the proliferation of vendor sales was allowed to occur by the Department of Revenue, the Department of Commerce inherited the problem when responsibility to regulate gaming in the state was transferred to them in the summer of 1989. In the fall of 1989, the Department of Commerce, after reviewing the law and the vendor issue, agreed that vendors were not provided for under the law and attempted to issue emergency regulation prohibiting their activities. Lt. Governor MacAlpine refused to sign the regulations, reasoning that an "emergency" did not exist in that the activities had been going on for some time and that issuing emergency regulations would circumvent the public process.

The department then went to public hearings on proposed regulations that would have prohibited vendors after May 15, 1990. In doing so, the department said they were allowing enough time for the legislature to again consider the question of vendors and decide if they wanted to make any changes in law that would permit their continued existence.

The legislature considered the vendor issue in numerous measures but no final action was taken and the law was not amended. Since

adjournment, the department, with an apparent change of heart, has expressed reluctance to change the "status quo" and has steadfastly refused to enforce the law. Instead they have indicated their decision to seek another Attorney General opinion as to whether they can authorize vendors through regulation.

As a result, we have millions of dollars of pulltab sales occurring in the state each month through agents that are not authorized by law. Charities are at the mercy of these unlicensed operators and vendors and their activities cannot be effectively policed since there is no statutory authority for them to occur in the first place.

This is an untenable situation for all parties concerned. Currently licensed operators are threatening to file a writ of mandamus to force the state to enforce the law. That option is also open to the legislature. An individual legislator can file as a private person or the Legislative Council can be petitioned to file on behalf of the legislature. Short of that it is likely that nothing will be done and the legislature will be left to deal with the question during the next session.

### ALCOHOL AND GAMING

State law (AS 04.11.370) requires the Alcohol Beverage Control Board to suspend or revoke a liquor license if illegal gambling activities occur on the licensed premises. The Board can and should notify license holders that their licenses may be endangered if they are acting as vendors for pulltab sales. However, since the Board knows that pulltab sales are legal in the state and that the Department certainly knows that license holders are selling pulltabs on licensed premises, they will take no action until they are informed that such activity is illegal.

A similar situation exists for licensees who may be in violation of federal filing requirements under the excise tax discussed above. Without such filings, their activities are illegal but until the Board is officially informed by the IRS of that fact, they will take no action.

Again, an option exists for the legislature to inform the Board of their position that sales of pulltabs in a licensed establishment by

an entity other than a permittee or a licensed operator is in violation of the law.

### WHERE DO WE GO FROM HERE

Following is a listing of the issues that should be addressed by the next legislature:

\* **Policy Issues** - The high profile sale of pulltabs in retail outlets in the last few years has completely changed the scope and nature of charitable gaming in Alaska and has raised a major public policy question of whether the state should encourage gambling and if not, what changes in law are necessary to take a more neutral posture:

1. Should the payout on pulltabs be limited by law so as to discourage gambling?
2. Should we limit the availability of pulltabs by limiting locations where they can be sold and the entities that can sell them?
3. Should we require that bingo games pay for themselves and disallow the practice of using bingo as a "loss leader" to encourage people to play pulltabs?
4. Should we sever the connection between gaming and alcohol by prohibiting all gaming activities where alcohol is sold or consumed?

\* **Vendors** - Should we license vendors and allow permitted organizations to use them? If so, the following questions should be addressed:

1. Should vendors be a licensed to work directly with permittees or only as an agent/s of a licensed operator?
2. If vendors are independent agents, should they be subject to the same, lesser, or more restrictions than are currently placed on operators (bonding, insurance, background checks etc. )?
3. Should we limit the number of vendors and/or the number of locations an operator or a permittee may use.?

4. Should we limit the amount a vendor can charge a permittee/operator for selling pulltabs? If so, what is a reasonable limit?

### PAST LEGISLATION

The measures discussed below were part of the legislatures' response to the issues raised in the the last several years about charitable gaming in Alaska. These measures were introduced during the last legislative session and will have to be reintroduced if they are to be considered by the 1991 legislature.

## CHARITABLE GAMING AND GAMBLING LEGISLATION

(1989-1990)

HB 261/SB 274 - Alaska-Soviet Ice Classic (By Foster/Duncan) - Authorizes Camai, Inc. and the City of Diomedes to operate an Alaska-Soviet Ice Classic (a game of chance where a prize of money is awarded for the closest guess of the time the ice moves in a body of water or watercourse). HB 261 passed into law in 1989 (76 SLA 89).

HB 323 - Big Lake Ice Classic (By Menard) - Authorizes the Houston Junior-Senior High School Booster Club and the Big Lake Chamber of Commerce to jointly or individually operate a Big Lake Ice Classic. HB 323 passed into law in 1990.

HB 587 - Prohibiting use of electronic media for gaming - (By the House Labor and Commerce Committee) - Prohibits advertising or conducting gaming activities through the electronic media such as television or radio. Such broadcasts have previously been banned under federal prohibitions that was repealed in May of 1990. HB 587 passed into law. (See discussion above under "Changes in Federal Law".

**HB 29/SB279- Parimutuel Racing/Alaska Racing**

**Commission** (By Larson/Szymanski) - Allows parimutuel betting on horse racing in Alaska. Can only be authorized after a "local option" vote where over 50 percent of the local voters authorize this kind of gambling activity. HB 29 is currently in the Senate Judiciary Committee, chaired by Senator Jan Faiks. **SB 279 did not pass.**

**HB 512/SB 501 - Retail sales of pulltab** (By Boucher/Senate Finance Committee) - Authorizes sales agents or "third party vendors" to sell pulltabs for charitable organizations in retail outlets such as bars, restaurants, package and convenience grocery stores. **Neither HB 512 nor SB 501 passed the legislature..**

**HB 521/SB 484 - Permittees working together** (By Boyer/Senate Finance Committee) - Authorizes permittees to work together to conduct gaming activities without having to become an operator. **Neither HB 521 nor SB 484 passed the legislature.**

**HB 524 - Revocation of operator's licenses** (By Taylor) - Raises the minimum payback a licensed operator must give a permittee. **HB 524 did not pass.**

**HR 7/SR 11- Gaming regulations** (By Donley/Rodey) - Asks the Department of Revenue to delay implementation of 1988 proposed charitable gaming regulations because they were not stringent enough in protecting charities from unlicensed and unregulated sales agents. This bill is moot since the regulations have since been redrafted and responsibility for regulating charitable gaming has been transferred from the Department of Revenue to the Department of Commerce and Economic Development. **Neither measure passed.**

**SB 146 - Gaming Devices on State Ferries** (By Szymanski) - Authorizes the Alaska State Ferry system to conduct gaming aboard state ferries with a percentage of the proceeds being dedicated to operating costs of the ferry system. **SB 146 did not pass.**

**SB 168 - Gambling enterprises by Municipalities** (By Fahrenkamp) Also called the "historical gambling" bill, SB 168 authorizes municipalities largely dependent on tourism that have a past of "historical gambling", to conduct card, dice and roulette-type games after adopting a municipal ordinance ratified by a majority of the local voters. **SB 169 did not pass.**

**SB 176 - Auctions and raffles for bison harvest permits**  
(By Frank) Authorizes the Department of Fish and Game to permit a qualified organization to raffle off one bison harvest permit per year with a percentage of the proceeds earmarked for the Fish and Game Fund. **Passed into law in 1989 (30 SLA 89).**

**SB 263 - Video Gaming Devices** (By Pourchot) - Sponsor substitute for SB 263 creates the Alaska Gaming Commission and authorizes regulation of video gaming devices operated in premises licensed to serve alcohol. **SB 263 did not pass.**

**SB 311 - Establishing the Alaska Gaming Commission** (By Zharoff) - Establishes a five member commission, appointed by the Governor and confirmed by the Legislature, to regulate gaming in the state. **SB 311 did not pass.**

**SB 429 - Surety fund and bonding for operators** (By the Governor) Creates a surety fund that operators and other licensees pay into to protect charities in cases of insolvency or fraud. Would make it easier to become a licensed operator by reducing bonding costs. **SB 429 did not pass.**

**SR 17 - Forms of charitable gaming** (By Fischer) Asks the Department of Commerce and Economic Development to expand the types of gaming permitted organizations are allowed to conduct. **SR 17 did not pass.**

**FISCAL NOTE**

STATE OF ALASKA  
LEGISLATIVE SESSION

BILL NO. CSHB 168

Revision Date: 5/15/91  
 Title: An Act relating to charitable gaming, and providing for an effective date  
 Sponsor: Reps. Choquette, Zawacki  
 Requestor: House Judiciary

Department Affected: Commerce & Economic Dev.  
 BRU: Occupational Licensing  
 Component: Administration

COMPONENT SERIAL NO. 

0	3	5	6
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	203.0	203.0	203.0	203.0	203.0	203.0
TRAVEL	10.0	10.0	10.0	10.0	10.0	10.0
CONTRACTUAL	54.0	54.0	54.0	54.0	54.0	54.0
SUPPLIES	4.0	2.0	2.0	2.0	2.0	2.0
EQUIPMENT	44.0	7.0	7.0	7.0	7.0	7.0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>315.0</b>	<b>276.0</b>	<b>276.0</b>	<b>276.0</b>	<b>276.0</b>	<b>276.0</b>

<b>CAPITAL</b>						
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<b>REVENUE</b>	625.0	656.2	662.4	668.6	674.8	681.0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	315.0	276.0	276.0	276.0	276.0	276.0
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	<b>315.0</b>	<b>276.0</b>	<b>276.0</b>	<b>276.0</b>	<b>276.0</b>	<b>276.0</b>

POSITIONS:

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

Estimate of current year impact:

ANALYSIS: (Attach a separate page if necessary.)

Prepared By: John N. Hansen, Jr., Gaming Program Manager Phone: 465-2581  
 Division: Occupational Licensing Date: 5/15/91  
 Approved by Commissioner: Glenn A. Olds *[Signature]*  
 Agency: Department of Commerce & Economic Development Date: 5/15/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

## FISCAL NOTE ATTACHMENT - CSHB 168

### EXPENDITURES AND REVENUES

This program was transferred from the Department of Revenue to the Department of Commerce and Economic Development effective July 1, 1989 through Executive Order #74. The total number of employees who transferred with the program was five: one auditor and one investigator located in Anchorage, one auditor, one tax examiner and one clerk typist located in Juneau. Since that time, the following new positions have been filled: a Gaming Program Manager located in Juneau, one investigator located in Fairbanks, a Chief of Gaming Compliance located in Anchorage, and a Licensing Examiner located in Juneau.

The bill would authorize the licensing and regulating of pull-tab vendors, authorize sales of pull-tabs from one distributor to another distributor, require the permittee and operator provide notification prior to changing the location(s) of gaming activities, amending the powers of the department to suspend or revoke permits or licenses, place restrictions on who may participate as a player of pull-tabs, authorize the department to issue orders prohibiting violations, provisions relating to making false statements in license and permit applications, amend the current prize awards limitation, specify when the pull-tab tax must be collected and who may distribute pull-tabs.

Charitable gaming activity in the state has rapidly grown beyond the capacity of the current staff especially in the area of audits and investigations. Presently, the gaming program has only two investigators and is woefully inadequate given the number of permittees and the geographical size of the state. While the two auditors may conduct desk audits at their workstations and obtain documentation by way of correspondence, the number of audits that can be accomplished during the year is limited by the number of permittees, operators, and distributors. We are, therefore, submitting a fiscal note requesting funding for an additional investigator and auditor. Also contained in the fiscal note is a request for funding of a licensing examiner and a records and licensing supervisor to oversee the licensing staff. Given the number of permittees, and the number that would use vendor locations, an additional licensing examiner is necessary if the vendor endorsements are to be issued in a timely manner.

The \$315.0 required includes \$10.0 in travel, to fund the cost of widespread travel to various communities throughout the state, as well as \$44.0 to purchase the necessary workstations, computers and software. The required \$7.0 for equipment for FY 93 through FY 97 represents computer upgrades and programming. This is based on the assumption that charitable gaming will steadily continue to increase as more and more charitable organizations search for other sources of revenue.

With the additional auditor and investigator positions, we estimate that \$75.0 in additional revenue based on the 1% net proceeds fee will be generated in addition to \$500,000 generated by the \$100 vendor endorsement fee. We estimate that 5,000 such vendor endorsements will be applied for. Additionally, with the amount of travel that will be required to effectively administer this program, the auditors and investigators can also use the opportunity to educate the licensees and to help them strive toward voluntary compliance.

**FISCAL NOTE ATTACHMENT  
CSHB 168**

**OPERATING EXPENDITURES**

<u>Position</u>	<u>Range</u>	<u>Cost</u>	<u>Subtotal</u>
<u>Personal Services:</u>			
Investigator III	18	\$56.4	
Auditor III	18	\$56.4	
Records and Licensing Supervisor	16	\$50.0	
Occupational Licensing Examiner I	12	\$40.2	
			\$203.0
<u>Travel:</u>			
Investigator		\$ 5.0	
Auditor III		\$ 5.0	
			\$ 10.0
<u>Contractual:</u>			
Lease Space		\$20.0	
Printing and Postage		\$24.0	
Communications		\$ 5.0	
Contract Services		\$ 5.0	
			\$ 54.0
<u>Supplies:</u>			
Investigator III		\$ 1.0	
Auditor III		\$ 1.0	
Records and Licensing Supervisor		\$ 1.0	
Occupational Licensing Examiner I		\$ 1.0	
			\$ 4.0
<u>Equipment:</u>			
Investigator III		\$10.0	
Auditor III		\$10.0	
Records and Licensing Supervisor		\$10.0	
Occupational Licensing Examiner I		\$10.0	
Printer		\$ 4.0	
			\$ 44.0
<b>TOTAL COST</b>			<b>\$315.0</b>

Lease Space is for locating the Gaming staff into their own office space. Currently located in Occupational Licensing on the 9th floor of the State Office Building in 450 sq. ft., this space is inadequate for current needs and, with the increased personnel, new space is a requirement.

The majority of the printing and postage cost is for the vendor endorsement license, pull-tab I.D. stamps, and forms.

Equipment represents the cost for a workstation and computer.

## REQUEST FOR NEW HIRE

POSITION TITLE: Investigator III  
RANGE/STEP: 18a  
SERVICE: Classified  
TYPE OF POSITION: PFT  
STAFF MONTHS: 12 Months

### TYPE OF EXPENDITURE:

#### PERSONAL SERVICES:

SALARY: \$40.5  
BENEFITS \$15.9

TOTAL PERSONAL SERVICES: \$56.4

TRAVEL: \$ 5.0  
COMMODITIES: \$ 1.0  
EQUIPMENT: \$10.0

TOTAL COST \$71.9

### FUNDING SOURCE:

GENERAL FUND \$71.9

### POSITION DUTIES:

- o Conduct investigations of permit or license violations and complaints.
- o Conduct inspections of premises, observe gaming activity to ensure compliance with statutes and regulations.
- o Issue Notices of Violations when appropriate and necessary.
- o Educate the participants with regard to statutes and regulations.
- o Assist the participants by providing the correct forms, and answering inquiries.
- o Occasionally assist the auditor(s) in gathering information/documentation.

### IMPACT TO DIVISION/PROGRAM IF POSITION IS NOT FILLED:

Because of the numerous number of permittees and licensees, the expanse of the state, and the limited funding for travel purposes, many complaints and/or allegations could not be investigated.

## REQUEST FOR NEW HIRE

POSITION TITLE: Auditor III  
RANGE/STEP: 18a  
SERVICE: Classified  
TYPE OF POSITION: PFT  
STAFF MONTHS: 12 Months

### TYPE OF EXPENDITURE:

#### PERSONAL SERVICES:

SALARY: \$40.5  
BENEFITS \$15.9

TOTAL PERSONAL SERVICES: \$56.4

TRAVEL: \$ 5.0  
COMMODITIES: \$ 1.0  
EQUIPMENT: \$10.0

TOTAL COST \$71.9

#### FUNDING SOURCE:

GENERAL FUND \$71.9

### POSITION DUTIES:

- o Plan, organize and complete audits of permittees, operators and distributors.
- o Provide technical assistance to permittees, operators and distributors.
- o Provide information to inquiring persons regarding statutes and regulations.
- o Assist the investigator(s) when necessary.

### IMPACT TO DIVISION/PROGRAM IF POSITION IS NOT FILLED:

Because of the numerous number of permittees and licensees, the expanse of the state, and the limited funding for travel purposes, many audits could not be done, thus, reducing the 1% net proceeds fee due the state.

## REQUEST FOR NEW HIRE

POSITION TITLE: Records and Licensing Supervisor  
RANGE/STEP: 16a  
SERVICE: Classified  
TYPE OF POSITION: PFT  
STAFF MONTHS: 12 Months

### TYPE OF EXPENDITURE:

#### PERSONAL SERVICES:

SALARY: \$35.5  
BENEFITS \$14.5

TOTAL PERSONAL SERVICES: \$50.0

COMMODITIES: \$ 1.0  
EQUIPMENT: \$10.0

TOTAL COST \$61.1

#### FUNDING SOURCE:

GENERAL FUND \$61.1

### POSITION DUTIES:

- o Review the operator and distributor license applications, issue licenses for same as well as review the operator quarterly and annual reports, the pull-tab manufacturer and distributor monthly reports.
- o Supervise and monitor the licensing of permittees, operators and distributors.
- o Direct and guide procedures for actual issuance of permits and licenses and computer entry of same. Responsible for the overall recording and establishment of the licensing record and maintenance of these records.
- o Provide information technical assistance to the public and organizations regarding application of statutes, regulations and policies.
- o Responsible for form control and review of public handouts and applications to ensure proper format and content.

### IMPACT TO DIVISION/PROGRAM IF POSITION IS NOT FILLED:

Responsibility for the day-to-day operations will be shouldered by the Gaming Program Manager.

## REQUEST FOR NEW HIRE

POSITION TITLE: Occupational Licensing Examiner I  
RANGE/STEP: 12  
SERVICE: Classified  
TYPE OF POSITION: PFT  
STAFF MONTHS: 12 Months

### TYPE OF EXPENDITURE:

#### PERSONAL SERVICES:

SALARY: \$27.8  
BENEFITS: \$12.4

TOTAL PERSONAL SERVICES: \$40.2

SUPPLIES: \$ 1.0  
EQUIPMENT: \$10.0

TOTAL COST \$51.2

#### FUNDING SOURCE:

GENERAL FUND \$51.2

### POSITION DUTIES:

- o The review of permit applications, vendor endorsement applications, quarterly and annual financial statements.
- o Update and maintain computerized licensing and financial records as well as the licensing files.
- o Provide information and technical assistance to the public and organizations regarding application of statutes and regulations.

### IMPACT TO DIVISION/PROGRAM IF POSITION IS NOT FILLED:

Responsibility for the above-listed duties would be shouldered by the current staff.

**FISCAL NOTE**

**STATE OF ALASKA**  
**1991 LEGISLATIVE SESSION**

**BILL NO.** HB 168

Revision Date: \_\_\_\_\_ Department Affected: Commerce & Economic Dev.  
 Title: SEE ATTACHED BRU: Occupational Licensing  
 Component: Administration

Sponsor: Rep. Choquette  
 Requestor: Rep. Choquette **COMPONENT SERIAL NO.**

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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	203.0	203.0	203.0	203.0	203.0	203.0
TRAVEL	10.0	10.0	10.0	10.0	10.0	10.0
CONTRACTUAL	44.0	25.0	25.0	25.0	25.0	25.0
SUPPLIES	4.0	2.0	2.0	2.0	2.0	2.0
EQUIPMENT	40.0	5.0	5.0	5.0	5.0	5.0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>301.0</b>	<b>245.0</b>	<b>245.0</b>	<b>245.0</b>	<b>245.0</b>	<b>245.0</b>

<b>CAPITAL</b>						
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<b>REVENUE</b>	325.0	350.0	350.0	350.0	350.0	350.0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	301.0	245.0	245.0	245.0	245.0	245.0
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	<b>301.0</b>	<b>245.0</b>	<b>245.0</b>	<b>245.0</b>	<b>245.0</b>	<b>245.0</b>

POSITIONS:

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

Estimate of current year impact: -0-

ANALYSIS: (Attach a separate page if necessary.)

SEE ATTACHED

Prepared By: Ann Boudreaux, Director Phone: 465-2581  
 Division: Occupational Licensing Date: 3/1/91  
 Approved by Commissioner: Glenn A. Olds *[Signature]* Spec. Asst II  
 Agency: Department of Commerce & Economic Development Date: 3/1/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

**FISCAL NOTE ATTACHMENT**

**HB 168**

**TITLE:**

An Act licensing and regulating pull-tab vendors; authorizing sales of pull-tabs between pull-tab distributors; requiring the giving of notice if a charitable gaming activity location changes; amending the powers of the Department of Commerce and Economic Development to revoke and suspend charitable gaming permits and licenses; restricting the ability of owners, managers, or employees of vendors and persons holding charitable gaming permits or licenses to purchase certain pull-tabs; authorizing the Department of Commerce and Economic Development to prohibit violations of the charitable gaming laws; relating to false statement in charitable gaming license and permit application; relating to maximum annual prize awards; relating to the collection of the pull-tab tax; and providing for an effective date.

## FISCAL NOTE ATTACHMENT - HB 168

### EXPENDITURES AND REVENUES

This program was transferred from the Department of Revenue to the Department of Commerce and Economic Development effective July 1, 1989 through Executive Order #74. The total number of employees who transferred with the program was five: one auditor and one investigator located in Anchorage, one auditor, one tax examiner and one clerk typist located in Juneau. Since that time, the following new positions have been filled: a Gaming Program Manager located in Juneau, one investigator located in Fairbanks, a Chief of Gaming Compliance located in Anchorage, and a Licensing Examiner located in Juneau.

The bill would authorize the licensing and regulating of pull-tab vendors, authorize sales of pull-tabs from one distributor to another distributor, require the permittee and operator provide notification prior to changing the location(s) of gaming activities, amending the powers of the department to suspend or revoke permits or licenses, place restrictions on who may participate as a player of pull-tabs, authorize the department to issue orders prohibiting violations, provisions relating to making false statements in license and permit applications, amend the current prize awards limitation, specify when the pull-tab tax must be collected and who may distribute pull-tabs.

Charitable gaming activity in the state has rapidly grown beyond the capacity of the current staff especially in the area of audits and investigations. Presently, the gaming program has only two investigators and is woefully inadequate given the number of permittees and the geographical size of the state. While the two auditors may conduct desk audits at their workstations and obtain documentation by way of correspondence, the number of audits that can be accomplished during the year is limited by the number of permittees, operators, and distributors. We are, therefore, submitting a fiscal note requesting funding for an additional investigator and auditor. Also contained in the fiscal note is a request for funding of a licensing examiner and a records and licensing supervisor to oversee the licensing staff. Given the number of permittees, and the number that would use vendor locations, an additional licensing examiner is necessary if the vendor endorsements are to be issued in a timely manner.

The \$301.0 required includes \$10.0 in travel, to fund the cost of widespread travel to various communities throughout the state, as well as \$40.0 to purchase the necessary workstations, computers and software. The required \$5.0 for equipment for FY 93 through FY 97 represents computer upgrades and programming. This is based on the assumption that charitable gaming will steadily continue to increase as more and more charitable organizations search for other sources of revenue.

With the additional auditor and investigator positions, we estimate that \$75.0 in additional revenue based on the 1% net proceeds fee will be generated in addition to \$250,000 generated by the \$50 vendor endorsement fee. We estimate that 5,000 such vendor endorsements will be applied for. Additionally, with the amount of travel that will be required to effectively administer this program, the auditors and investigators can also use the opportunity to educate the licensees and to help them strive toward voluntary compliance.

FISCAL NOTE ATTACHMENT  
HB 168

OPERATING EXPENDITURES

<u>Position</u>	<u>Range</u>	<u>Cost</u>	<u>Subtotal</u>
<u>Personal Services:</u>			
Investigator III	18	\$56.4	
Auditor III	18	\$56.4	
Records and Licensing Supervisor	16	\$50.0	
Occupational Licensing Examiner I	12	\$40.2	
			\$203.0
<u>Travel:</u>			
Investigator		\$ 5.0	
Auditor III		\$ 5.0	
			\$ 10.0
<u>Contractual:</u>			
Lease Space		\$ 20.0	
Printing and Postage		\$ 24.0	
			\$ 44.0
<u>Supplies:</u>			
Investigator III		\$ 1.0	
Auditor III		\$ 1.0	
Records and Licensing Supervisor		\$ 1.0	
Occupational Licensing Examiner I		\$ 1.0	
			\$ 4.0
<u>Equipment:</u>			
Investigator III		\$10.0	
Auditor III		\$10.0	
Records and Licensing Supervisor		\$10.0	
Occupational Licensing Examiner I		\$10.0	
			\$ 40.0
TOTAL COST			\$301.0

Lease Space is for locating the Gaming staff into their own office space. Currently located in Occupational Licensing on the 9th floor of the State Office Building in 450 sq. ft., this space is inadequate for current needs and, with the increased personnel, new space is a requirement.

The majority of the printing and postage cost is for the vendor endorsement license.

Equipment represents the cost for a workstation and computer.

## REQUEST FOR NEW HIRE

POSITION TITLE: Investigator III  
RANGE/STEP: 18a  
SERVICE: Classified  
TYPE OF POSITION: PFT  
STAFF MONTHS: 12 Months

### TYPE OF EXPENDITURE:

#### PERSONAL SERVICES:

SALARY: \$40.5  
BENEFITS \$15.9

TOTAL PERSONAL SERVICES: \$56.4

TRAVEL: \$ 5.0  
COMMODITIES: \$ 1.0  
EQUIPMENT: \$10.0

TOTAL COST \$71.9

### FUNDING SOURCE:

GENERAL FUND \$71.9

### POSITION DUTIES:

- o Conduct investigations of permit or license violations and complaints.
- o Conduct inspections of premises, observe gaming activity to ensure compliance with statutes and regulations.
- o Issue Notices of Violations when appropriate and necessary.
- o Educate the participants with regard to statutes and regulations.
- o Assist the participants by providing the correct forms, and answering inquiries.
- o Occasionally assist the auditor(s) in gathering information/documentation.

### IMPACT TO DIVISION/PROGRAM IF POSITION IS NOT FILLED:

Because of the numerous number of permittees and licensees, the expanse of the state, and the limited funding for travel purposes, many complaints and/or allegations could not be investigated.

REQUEST FOR NEW HIRE

POSITION TITLE: Auditor III  
RANGE/STEP: 18a  
SERVICE: Classified  
TYPE OF POSITION: PFT  
STAFF MONTHS: 12 Months

TYPE OF EXPENDITURE:

PERSONAL SERVICES:

SALARY: \$40.5  
BENEFITS \$15.9

TOTAL PERSONAL SERVICES: \$56.4

TRAVEL: \$ 5.0  
COMMODITIES: \$ 1.0  
EQUIPMENT: \$10.0

TOTAL COST \$71.9

FUNDING SOURCE:

GENERAL FUND \$71.9

POSITION DUTIES:

- o Plan, organize and complete audits of permittees, operators and distributors.
- o Provide technical assistance to permittees, operators and distributors.
- o Provide information to inquiring persons regarding statutes and regulations.
- o Assist the investigator(s) when necessary.

IMPACT TO DIVISION/PROGRAM IF POSITION IS NOT FILLED:

Because of the numerous number of permittees and licensees, the expanse of the state, and the limited funding for travel purposes, many audits could not be done, thus, reducing the 1% net proceeds fee due the state.

## REQUEST FOR NEW HIRE

POSITION TITLE: Records and Licensing Supervisor  
RANGE/STEP: 16a  
SERVICE: Classified  
TYPE OF POSITION: PFT  
STAFF MONTHS: 12 Months

### TYPE OF EXPENDITURE:

#### PERSONAL SERVICES:

SALARY: \$35.5  
BENEFITS \$14.5

TOTAL PERSONAL SERVICES: \$50.0

COMMODITIES: \$ 1.0  
EQUIPMENT: \$10.0

TOTAL COST \$61.1

#### FUNDING SOURCE:

GENERAL FUND \$61.1

### POSITION DUTIES:

- o Review the operator and distributor license applications, issue licenses for same as well as review the operator quarterly and annual reports, the pull-tab manufacturer and distributor monthly reports.
- o Supervise and monitor the licensing of permittees, operators and distributors.
- o Direct and guide procedures for actual issuance of permits and licenses and computer entry of same. Responsible for the overall recording and establishment of the licensing record and maintenance of these records.
- o Provide information technical assistance to the public and organizations regarding application of statutes, regulations and policies.
- o Responsible for form control and review of public handouts and applications to ensure proper format and content.

### IMPACT TO DIVISION/PROGRAM IF POSITION IS NOT FILLED:

Responsibility for the day-to-day operations will be shouldered by the Gaming Program Manager.

REQUEST FOR NEW HIRE

POSITION TITLE: Occupational Licensing Examiner I  
RANGE/STEP: 12  
SERVICE: Classified  
TYPE OF POSITION: PFT  
STAFF MONTHS: 12 Months

TYPE OF EXPENDITURE:

PERSONAL SERVICES:

SALARY: \$27.8  
BENEFITS: \$12.4

TOTAL PERSONAL SERVICES: \$40.2

SUPPLIES: \$ 1.0  
EQUIPMENT: \$10.0

TOTAL COST \$51.2

FUNDING SOURCE:

GENERAL FUND \$51.2

POSITION DUTIES:

- o The review of permit applications, vendor endorsement applications, quarterly and annual financial statements.
- o Update and maintain computerized licensing and financial records as well as the licensing files.
- o Provide information and technical assistance to the public and organizations regarding application of statutes and regulations.

IMPACT TO DIVISION/PROGRAM IF POSITION IS NOT FILLED:

Responsibility for the above-listed duties would be shouldered by the current staff.

CALENDAR YEAR 1989

OPERATOR	GROSS RECEIPTS	PRIZES AWARDED	ADJUSTED GROSS INCOME	EXPENSES	OPERATOR FEE	NET PROCEEDS	# OF PERMITTEES	BINGO	10 RAFFLES (CARDS)	11 PHU TABS	12 FISH DERBY	13
JOE NYQUIST	587607.80	465820254	1217870.26	611970.29	413184.42	192715.56	1					
JOHN BOWFIELD	1761047	1310592	450455	312308	70160	61987	3					
JAY ANNISON JR	4574822	3561415	1013407	61364854	11217510	25763336	10					
EDWARD DILLEY	952166267	737097146	215068501	144567150	36521663	33979768	25		✓	✓		
BOB THOMAS	7084200	3854898	3229302	2081496	558074	559732	10					
PETE KRAEMER	553727850	4603457	88382250	76657357	*	11744893	12	✓	✓	✓		
SUE GRIFFIN	16960378	13667221	3293157	2141782	332607	818768	27	✓	✓	✓		
DWIGHT MCBRIDE	2631174	2030929	600245	296006	214201	90336	5			✓		
STEVE COOPER	42466150	31982051	104684099	7634821	2949278	1013273	1			✓		
RUTH SHANNON	677195	527758	149436	98560	25461	22415	2			✓		
KEN DOLE	16500	20500	<9500>	100213	*	54875	1				✓	
SHILIE RUEBEL	243443	1003250	4506450	2699627	*	1606824	1			✓		

\*-OPERATOR FEE NOT SEPARATED OUT FROM OTHER EXPENSES

# METRO

THURSDAY

SECTION **D** March 21, 1991

## Pull-tab law revision dismays charities

By **MATT KOHLMAN**  
The Associated Press

**JUNEAU** — The latest revision of the state's pull-tab lottery regulations will do little to ease the hardship faced by charitable groups that depend on lottery income, the groups' representatives said Wednesday.

Under the revised regulations, bars, restaurants, grocery stores and other third-party vendors can sell pull-tab lottery tickets as long

as they receive no compensation. An emergency regulation passed in mid-January says the vendors can only rent space to charitable groups licensed to sell pull-tabs.

The revision allows the vendors to donate their space and time, said Assistant Attorney General Gary Amendola. "We'll find out how benevolent retail organizations want to be," he said.

In a news release on the change, Gov. Wally Hickel said he has

always opposed gambling. He added, however, that "as long as the state permits the sale of pull-tabs, the state also should ensure that all the profits from their sales reach the charities."

But Roger Cunningham, co-chairman of the Coalition for Non-Profit Gaming, said the ruling basically provides no change.

"This latest round of interpretations is not a large help to non-profits," he said. "Walter Hickel

did not become a millionaire by giving his services away for free, and that's precisely what he's asking merchants to do here."

The revision is a "non-story," said former Attorney General Ed Boyko, the coalition's attorney.

"The bottom line is they haven't fixed anything," Boyko said. "The problem is pressing, the charities are going broke and nobody cares.

"Who's going to donate? It's a grandstanding routine to make the

people believe the governor cares about the plight of the charities."

That plight started in December when Attorney General Charlie Cole banned the sale of pull-tabs in unlicensed outlets.

State law requires operators to have licenses, but the law was not enforced until this year. There were only 25 licensed operators in the state at the beginning of the

Please see Page D-3, **PULL-TABS**

## Delay sought in Exxon deal

### Lawmakers want review time

By **BRIAN S. AKRE**  
The Associated Press

**JUNEAU** — Alaska legislators late Wednesday said they will ask a federal judge to postpone plans to consider the plea bargain of criminal charges against Exxon Corp. for the Prince William Sound oil spill.

The lawmakers said the plea bargain should not be signed before the legislature has a chance to review it as part of the recent settlement of the spill litigation.

Judge H. Russel Holland is scheduled to consider the case Friday in U.S. District



■ **SPILL STUDIES:** House Democrats pounded on Bush administration officials Wednesday about their refusal to release Exxon oil spill damage studies. **D-5**

began hearings on the settlement Tuesday and has 43 days left to endorse or reject it. House leaders complained that completing the criminal





KAY LEVINE

## TROUBLESHOOTER

□ **READER SEEKS BAND MUSIC:** I was wondering if you know of any high school bands in Anchorage that sell tapes of their music. I love band music. Also, would you know where I can get some of those things you put on your shoes for walking on ice? Also, does anyone deal with antiques? I have some things I'd like to have appraised. Thanks. — D.R., Metlakatla

✓ So far as I could discover, local high school bands don't sell tapes of their music, but there may still be a way for you to purchase such a recording. As a sideline, a fellow named Bob Amos sometimes tapes the high school bands, usually for the participants. He said he might be able to provide what you want. You can write him at P.O. Box 230831, Anchorage 99523.

A number of stores sell ice grippers; Fred Meyer and Pay'N Save are two. If outlets near you don't carry the grippers, maybe a store will order them specially.

Certainly, there are antique dealers and firms specializing in appraisals. Anchorage has a few of each. The selection appears limited in Juneau, but you still should be able to find someone who can help you. Just look in the appropriate sections of the Yellow Pages.

□ **POSTAL INSPECTORS SPEED UP:** Troubleshooter frequently fumbles when readers ask why someone doesn't stop phony telemarketers. The answer seems to be that the bad guys are better motivated, something I hate to tell people. I was therefore heartened when the Alliance Against Fraud in Telemarketing reported recently that postal inspectors have begun using a federal statute passed in 1988 to quickly stop illegal operations and freeze their assets. The law authorizes



## PULL-TABS: Charities irked

Continued from Page D-1

year, according to the state Division of Occupational Licensing, which oversees charitable gaming.

Regulations say licensed operators must pay charities at least 15 percent of adjusted gross sales after prizes are paid to pull-tab buyers. Third-party vendors faced no such requirements and made separate arrangements with individual charities.

Critics said the vendors increasingly charged charities for selling pull-tabs and made charities bid for space.

The ban and subsequent emergency modification sought to end that practice, state officials said. It should provide charities with a greater share of the proceeds, Amendola said.

But Cunningham said there was no evidence of widespread abuse. He said charities have lost an important money-producing outlet under the regulation.

"One hundred percent of nothing is nothing," he said.

## POT: DEC officer arrested in Dutch Harbor

Continued from Page D-1

as far as speaking to us."

## Moderate earthquake shakes Southcentral

The Associated Press

**PALMER** — A moderate earthquake measuring around 5 on the Richter scale struck Wednesday night about 40 miles northeast of Talkeetna, the Tsunami Warning Center reported.

There were no reports of damage from the quake, which occurred at about 8:05 p.m., said Tom Sokolowski, chief of the center.

The center measured the quake at a preliminary 5.1, while the Alaska Earthquake Information Center in Fairbanks said it was closer to 5.3.

He said the temblor was felt in Anchorage, Palmer, Wasilla, Knik and Talkeetna.

The quake's epicenter was about 110 miles north of Anchorage and about 13 miles south of Hurricane.

Charlotte Rowe of the Alaska Earthquake Information Center said Wednesday that a second earthquake, measuring 2.6, was centered about 50 miles west of the first one. She said the second didn't seem to be an aftershock of the first quake.

## SPILL: Lawmakers want time

Continued from Page D-1

gotiated on the civil claims had a plea bargain not been possible on the criminal charges, the lawmakers said. With the plea bargain approved, there is no motivation for Exxon to negotiate further on the civil settlement should the legislature object to even minor points,

Grussendorf said.

Exxon spokesman Les Rogers in Houston declined to comment.

The tanker Exxon Valdez ran aground on a reef two years ago next Sunday, spewing nearly 11 million gallons of oil. The accident killed thousands of marine birds, fish and mammals.

be recovered by the DEC. Adrienne Stewart, acting personnel director for the

made a lot of enemies in his new job. Dutch Harbor is dominated by the fishing in-