

HB

168

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 5/10/93

FURTHER:

DATE TURNED INTO OFFICE: 5-11-93

The Finance Committee considered CS FOR HOUSE BILL NO. 168(FIN) am
Charitable gaming; efd.

and recommends:

- replace with _____ CS _____ (FINANCE)
- or adopt previous _____ CS _____ (_____)
- attaches amendment(s)

- same title
- new title
- technical title change (HB only)

adopts _____ Letter of Intent

further referral to the _____

do pass

do not pass

no recommendation

individual recommendations

NEW FISCAL NOTES

Department	Date	Zero	Fiscal
Revenue	5/8/93		\$ 381.0

PREVIOUS FISCAL NOTES

Department	Date	Zero	Fiscal

Appropriation No Fiscal Note

DO PASS:

OTHER RECOMMENDATIONS:

Best Chair Needs Answer
Have this No Rec
Send to No Rec
Disputable No Rec
1 - full release - 10/93

1. Don't Do Pass
Co-Chair: Signature/Recommendation

2. 1 - full release - 10/93
Co-Chair: Signature/Recommendation

FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

BILL NO. CSHB 168 (Fin)

Revision Date: 5/8/93
Title: An Act relating to Charitable Gaming, etc.
Sponsor: House Rules Committee
Requestor: House Rules

Department Affected: Revenue
BRU: Gaming
Component: _____
COMPONENT SERIAL NO. _____

EXPENDITURES/REVENUES:

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	270	270	270	270	270	270
TRAVEL	7	7	7	7	7	7
CONTRACTUAL	50	50	50	50	50	50
SUPPLIES	2	2	2	2	2	2
EQUIPMENT	52	0	0	0	0	0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	381	329	329	329	329	329

CAPITAL						
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REVENUE FUND SOURCE:	274	274	274	274	274	274
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FUNDING:

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts	381	329	329	329	329	329
1006 GF/MHTIA						
OTHER						
TOTAL						

POSITIONS:

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

Estimate of current year (FY 93) impact: 0

ANALYSIS:

See Attached.

Prepared by: John Hansen, Gaming Program Manager
Division: Gaming

Phone: 465-2581
Date: 5/8/93

Approved by Commissioner: Paul Fuhs
Agency: Commerce and Economic Development

Date: 5/8/93

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**Gaming Division
Budget Amendment Description**

100 Personal Services

FY 94

<u>Position</u>	<u>Location</u>	<u>Total Cost</u>
1 Auditor III	Fairbanks	\$ 61.1
1 Auditor III	Anchorage	61.1
1 Tax Examiner II	Juneau	49.2
1 Administrative Assistant I	Juneau	52.9
1 Document Processor II	Juneau	33.5
Convert Director's Position (currently Program Manager, 22F)		<u>4.6</u>
		\$268.4

200 Travel

Increase in travel for audits, investigations, and training 7.0

300 Contractual Services

Revenue Hearing Officers 50.0

400 Supplies

Increase in supplies due to additional staff 2.0

500 Equipment (1 time cost only)

6 each computers at \$3,200	19.2	
1 laser printer	4.0	
software package and programming	6.0	
workstations and files for five positions	<u>21.0</u>	
Total Equipment		50.2

IIAN

GBA

**ADDITIONAL
EXPLANATION
FORM**

AGENCY Commerce & Economic Development
 BRU Occupational Licensing
 COMPONENT Operations

FY 94

Page 2 of 2
 Revised Date

NO. 2
 CS/H3/198CF

STATE OF ALASKA

DEPARTMENT OF COMMERCE AND
ECONOMIC DEVELOPMENT

DIVISION OF OCCUPATIONAL LICENSING

NO. 2
CSHB 168 (Fla)
~~WALTER HICKEL, GOVERNOR~~
19-4

P O BOX 110806
JUNEAU, ALASKA 99811-0806
PHONE: 1907-463-2534

February 25, 1993

The Honorable Brian Porter
House of Representatives
State Capitol
Juneau, AK 99801-1182

Received

FEB 25 1993

MR. BRIAN PORTER

Dear Representative Porter:

Re: Budget Increase Revenue Projection

Per your request of February 23, 1993, I have computed what I believe to be a conservative increase in net proceeds to permittees as well as increase in revenues to the state based upon the \$381.0 budget increase we proposed.

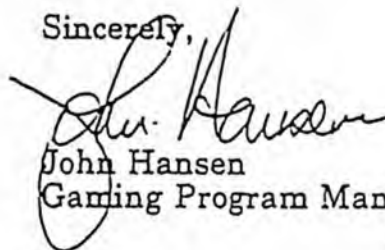
Net proceeds to permittees should increase by \$1.6¹ million. State revenues will increase by approximately \$274.0².

Revenue & Expenditures

<u>FY 94</u>	Revenue Estimate	\$1.974.0 ³
	Budget Expenditures	\$1.042.0
	Balance to General Fund	<u>\$ 932.0</u>

As reflected above the Gaming Program will generate more revenue and provide the general fund with approximately one million dollars in excess. Enclosed is the schedule used to arrive at these estimates.

Sincerely,



John Hansen
Gaming Program Manager

JH/go001 jh
022593c
Enclosures

¹Refer to revenue project - enclosed

²Refer to revenue project - enclosed

³Refer to revenue project - enclosed

Alaska State Legislature

Representative Carl E. Moses



CHAIRMAN
HOUSE RULES COMMITTEE

CHAIRMAN
HOUSE SPECIAL FISHERIES COMMITTEE

MEMBER
FINANCE SUBCOMMITTEES
FISH AND GAME
PUBLIC SAFETY

SESSION:
CAPITOL BUILDING, ROOM 204
JUNEAU, ALASKA 99801-1182
PHONE: (907) 485-4451
FAX: (907) 465-3445

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UNALASKA, ALASKA 99685
PHONE: (907) 581-1234
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SPONSOR STATEMENT FOR CS HB 168(FIN)

Representative Carl E. Moses

This bill reforms licensed gambling in Alaska. It increases the amount of money going to charitable nonprofits and it prevents the criminal element from gaining a foothold in our state gaming industry. It does this without increasing gambling in Alaska.

This bill restricts the way profits derived from gaming may be used. Currently, there is a diversion of pull-tab and bingo profits to registered lobbyists; this bill allows registered lobbyists to be paid only from profits of raffles. This bill benefits charities by increasing their guaranteed percentage return. It permissively allows charities alternatives to placing their permits with "for profit" operators. The bill does shift the flow of money in favor of the charities. It gives nonprofits additional avenues by which to generate money using their permits while restricting the activities of "for profit" operators.

The bill:

1) Prevents criminal elements from gaining a foothold in Alaskan gaming by denying felons access and controlling the access of others. If an individual has been convicted of a crime that was a class A felony, unclassified felony, or a crime involving theft, dishonesty, or gambling laws within the state of Alaska, or any other jurisdiction, this individual would be prohibited from involvement with gaming. This bill also allows the Department some discretion for people convicted of lesser crimes after 10 years have passed.

2) Prohibits the payment of any portion of the net proceeds from pull-tabs and bingo, directly or indirectly, to a registered lobbyist.

3) Provides a reasonable licensing scheme that allows charitable organizations alternatives to placing their permits with "for profit" operators. Permittees who operate their own permits often double their net proceeds. The bill allows permittees to contract with vendors to sell pull-tabs

for the permittee. Vendors would be required to pay permittees 70% of the ideal net proceeds to the permittee when the pull-tabs are delivered to the vendor. Vendors are limited to those facilities that possess a package store license or a beverage dispensary license granted by the ABC board. Those facilities possessing the beverage dispensary license and granted a restaurant designation by the ABC board would be restricted to selling pull-tabs only in those areas off limits to minors.

4) Adds multiple beneficiary language which allows the Department to issue permits authorizing 2 to 6 permittees to jointly operate their permits. This benefits permittees who band together by providing the economic benefits of jointly operating. While most operators run honest businesses, there are those that do extort concessions beyond what most people would consider ethical.

5) Requires the Department of Commerce to approve contracts between operators and permittees before the operator may conduct the gaming.

6) Allows the Department to revoke a permit, license, or vendor registration upon proof that insider information on the status of pull-tab prizes was given or acted upon.

7) Requires that the Department license out-of-state manufacturers of pull tabs.

8) Requires that operators increase the return of net proceeds from pull-tabs to charities from 15% to at least 30%. The return on other gaming activities is increased from 0% to at least 10%.

9) Provides that the N.A.G.R.A. pull-tab standards be required for pull-tab games sold in Alaska. These are higher quality standards than those currently required.

10) Provides specific suspension/revocation authority up to 5 years for licensee's or vendors.

11) Provides authority to Commissioner to issue an emergency 60 day order to stop unauthorized or illegal activity.

12) Requires that pull-tab manufacturers pay a \$2500 annual licensing fee.

13) Prohibits people under the age of 21 from playing pull-tabs, which conforms to the Alaska drinking age, and

14) Permittees may not contract with more than five vendors to sell pull-tabs under their permit.

Under existing law, pull-tabs can be sold in bars and liquor stores, but current statute does not provide clear guidelines for direct third party relationships between permittees and these facilities. The third party provisions contained in this bill provide for a reasonable licensing scheme for activities that are already occurring. This bill provides the department with the needed tools to effectively regulate third party activities.

In addition, the following House Floor amendments were made:

(1) All references to non-commercial broadcasting stations were deleted from the bill. This provision had been previously added in House Finance.

(2) villages and cities are given a local option to ban pull-tabs, if they wish to do so

(3) the calculation of ideal net proceeds was changed from a quarterly to an annual basis.

(4) requires that people in charge of operating a permit must pass a test on the contents of this Act.

(5) allows one distributor to distribute pull-tabs to another distributor

This bill does not expand gambling in Alaska, rather it reforms gaming. It does not put genuine charitable organizations out of business. It does not set unrealistic minimum returns for operators or charities or eliminate nonprofit charities from holding permits. Rather, every nonprofit now eligible stays eligible, and they would retain even greater proceeds.



Official Business

Alaska State Legislature

HOUSE OF REPRESENTATIVES

State Capitol
Juneau, AK 99801-1182

SECTIONAL ANALYSIS UPDATE

May 11, 1993

The following changes were made to CSHB 168 (FIN) on the floor of the house:

- 1) Amendment 3 deletes all references to charitable gaming by noncommercial broadcasting stations or networks.
- 2) Amendment 7 was passed to clarify that a community will have the option to vote to prohibit pull-tabs in their community. Previously the vote had covered the broader category of "charitable gaming" in general.
- 3) Amendment 8 changed the calculation of net proceeds to charities from a quarterly to an annual basis.
- 4) Amendment 9 requires persons in charge of operating a permit to pass a test on the contents of this Act.
- 5) Amendment 12 allows one distributor to distribute pull-tabs to another distributor.
- 6) Finally, amendment 19 deleted the short title of the Act.



Alaska State Legislature

HOUSE OF REPRESENTATIVES

Official Business

MEMORANDUM

State Capitol
Juneau, AK 99801-1182

TO: Representative Ramona L. Barnes
Speaker of the House

FROM: Douglas A. Wooliver
Staff Attorney

SUBJECT: Sectional Analysis of CSHB 168 (FIN)

DATE: May 8, 1993

The following is a sectional analysis of CSHB 168 (FIN) which is the charitable gaming bill. This sectional closely follows and is adapted from a sectional done by Jerry Luckhaupt in legal services.

Section 1 provides a short title.

Sections 2, 4, 11, 23, 27, 28 and 30 of the bill deal with allowing permittees (charitable organizations) to contract with vendors, defined in section 31 of the bill, to sell pull-tabs for the permittee through an endorsement of the charitable organization's permit. Section 28 is the "meat" of this area of the bill.

Sections 2, 5, 7, 8, 9, 14, 18, 19, 20, and 25 deal with multiple-permittee charitable gaming. Sections 5 and 14 are the substantive portion of these sections.

Section 3 requires that the Department of Commerce and Economic Development's regulations meet the standards set by the North American Gaming Regulators Association.

Sections 6, 13, 29 and 30 relate to what criminal convictions disable someone from working in charitable gaming. These sections also provide an exemption for people with certain convictions when those convictions are ten years old.

Section 10 requires the Department of Commerce and Economic Development's approval of contracts between operators and permittees.

Sections 12 and 16 deal with increasing the percentage that operators must pay to permittees for a pull-tab activity from 15 percent to 30 percent of adjusted gross income and requiring 10 percent of the adjusted gross income from gaming activities other than pull-tabs.

Section 15 states that no net proceeds from bingo and pull-tabs may be used to pay a lobbyist.

Sections 17 and 29 deal with procedures for the revocation and regulation of licenses, permits, and regulations.

Section 21 requires the licensing of out-of-state manufacturers of pull-tabs.

Section 22 allows the department to issue a pull-tab manufacturer's license to a person who pays an annual fee of \$2,500.

Section 24 prohibits anyone under the age of 21 from playing or buying pull-tabs. This section also prohibits the sale of pull-tabs to anyone under the age of 21.

Section 26 provides that any pull-tab game that allows some persons to participate in a lottery for additional prizes may not be conducted unless a surety bond is posted and approved by the attorney general. Under this section no prize can exceed \$250,000.

This section also allows public radio stations to sell pull-tabs under certain specified conditions.

Section 27 limits permittees, licensees, and vendors from purchasing their own pull-tabs and requires receipts for prizes of \$50 or more in pull-tab games.

Section 28 provides that if a permittee contracts with a vendor, the contract must provide that the permittee shall receive no less than 70 percent of the ideal net.

POSITION PAPER


DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

House Finance Committee CS for HB168

The department supports the provisions of this CS including the amendments made during the 5/7/93 House Finance Committee meeting with the exception of the APRN amendment.

Concerning the APRN amendment: the department did attempt to implement the provisions adopted by the legislature in the existing statute allowing for an on the air game by APRN. We have been unable to implement these provisions without violating other provisions of the statute and our regulations.

In general, Governor Hickel opposes expanding gaming activity in Alaska and would oppose the creation of a statewide lottery in Alaska.


Paul Fuhs, Commissioner
5/8/93



Official Business

Alaska State Legislature

HOUSE OF REPRESENTATIVES

Representative Brian Porter

State Capitol
Juneau, AK 99801-1182

March 4, 1993

Honorable Ron Larson
Honorable Eileen Maclean
Co-Chair, House Finance Committee
State Capitol
Juneau, AK 99801-1182

Dear Representative Larson,

Attached is a letter from John Hansen, Gaming Program Manager. This program is moving (and appropriately so) to the Department of Revenue from the Department of Commerce and Economic Development.

The program receipts generated by this division are approximately \$1.6 million, while their budget is \$681.4 thousand. All our governments' efforts should be so productive.

I'm writing, though, to ask your consideration of the program's request (attached) for a budget increase. Obviously, this is a request not made lightly in view of our need to reduce overall spending. I urge your consideration for two primary reasons:

1. Historically, as states and cities have passed gaming laws, they have used too much of the resulting revenue for general fund needs and too little to adequately manage, supervise and control the gaming. We read almost weekly of the negative results of this practice. "Skimming" and other forms of corruption seem to automatically follow a lack of commitment to control gaming operations. Alaska needs to make this commitment.
2. Our state's gaming regulations were, from my recollection, not instituted to provide state revenue. Rather, they were designed to develop revenue for qualifying charities. As can be seen in Mr. Hansen's analysis, the intent of their increase request is to provide a more adequate level of review and audit of the reports and tax forms completed by gaming operators. These submissions provide

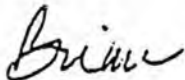
Representative Ron Larson
Representative Eileen Maclean
March 4, 1993
Page 2

revenue, but more importantly, the appropriate level of return to the (permitted) charity.

Mr. Hansen's attached second submission dated February 25, 1993, indicates that the increased audits and reviews generated by this budget increase would provide an additional \$1.6 million to charity and \$274.0 thousand to the State. I'm sure some of the \$1.6 million would offset current HESS funding for these kinds of activities.

I respectfully ask your consideration of this request for what arguably is a minimal increase that will provide substantive benefit to state government, the gaming industry and to necessary charity programs throughout our entire state.

Sincerely,



Brian Porter

BP:elm

Attachments

cc: House Finance Committee Members

*cc: John Hansen
Gaming Manager*

WALTER J. HICKEL, GOVERNOR

DEPARTMENT OF COMMERCE AND
ECONOMIC DEVELOPMENT

DIVISION OF OCCUPATIONAL LICENSING

P O BOX 11806
JUNEAU, ALASKA 99811-0806
PHONE (907) 465-2534

February 17, 1993

Received

FEB 22 1993

F. J. HICKEL

The Honorable Brian Porter
House of Representatives
State Capitol
Juneau, AK 99801-1182

Dear Representative Porter:

RE: Gaming Program Support

Executive Order #82 transfers the administration of the Gaming program from the Division of Occupational Licensing, Department of Commerce and Economic Development, to the Gaming Division located in the Department of Revenue effective July 1, 1993.

Currently, the program is located in the Division of Occupational Licensing in DCED. The division is responsible for administering 36 various regulatory and licensing programs.

The Governor believes these activities require close supervision, including auditing of financial records which will be more effective in the Department of Revenue. The FY 94 request for program staff consists of 11 PFT positions and contractual funding for a seasonal (six-month) position.

Under the Department of Revenue, the Gaming Division would be responsible for administration of the Gaming program (AS 05.15) and the Coin-Operated Amusement and Gaming Device (AS 43.35) program. Currently, licensed gaming in Alaska is a \$205 million industry conducted by approximately 1,000 permittees and 40 licensed operators. Reviews of the tax returns and financial statements are a critical part of compliance. This program is funded through program receipts. FY 94 income is estimated to be at \$1.6 million for the Gaming program. Total expenditures will be approximately \$681.4, leaving the balance to the general fund. Revenues from the coin-operated device tax currently at \$100.0 would also increase substantially. Currently, enforcement efforts are minimal in this area. Approximately 500 licenses are issued annually. We believe more of these devices exist in Alaska. Gaming investigators are experienced in this area. Many of these devices are located in premises where gaming activity is being conducted. Collection of this tax would be more efficient and better compliance is anticipated.

February 17, 1993

Permittees and operators that conduct gaming are required to file financial statements on a quarterly basis and also annual financial statements and remit a 1% fee to the state. Pull-tab distributors also collect a 3% tax on the ideal net from permittees and remit those taxes on a monthly excise tax return.

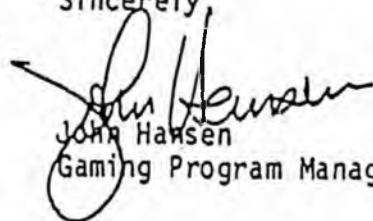
The review and audit of these financial statements are critical. Gaming is grossly understaffed. We have one auditor assigned to conduct these audits. Complex audits of operators can take as much as six months to complete. The audits that we have completed indicate a general lack of compliance. Noncompliance results in less money available to the permittees and underpayment of taxes to the state. Since 1990, our enforcement efforts were primarily in getting all gaming operations in compliance with our licensing requirements. If operations were not legal, they were shut down. This was accomplished through investigators working in the field. We now have three offices: Juneau, Anchorage, and Fairbanks, with a Chief of Compliance and three investigators. We believe there exists substantial compliance with our licensing requirements today. However, the financial statements need auditing.

As you requested, I have provided a proposed budget amendment for five new positions to support the audit of these financial statements and provide for administrative support for the Gaming Division in the DOR. The total increase for these positions is \$381,000. Any help in this area would result in an increase in accountability of this activity.

As I briefly described to you, at this point, the administration is not planning to request any new positions; however, any support in this area would be welcomed.

If I can provide any further information, please let me know. Thank you for your assistance.

Sincerely,


JOHN HANSEN
Gaming Program Manager

JH/dg14005D
021793c
Enclosures

cc: Cheryl Frasca, Office of Management and Budget
Rod Maurant, Department of Revenue

Gaming Division
Budget Amendment Description

100 Personal Services

FY 94

<u>Position</u>	<u>Location</u>	<u>Total Cost</u>
1 Auditor III	Fairbanks	\$ 64.1
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1 Tax Examiner II	Juneau	49.2
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Revenue Hearing Officers 50.0

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500 Equipment (1 time cost only)

6 each computers at \$3,200	19.2
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software package and programming	6.0
workstations and files for five positions	<u>21.0</u>

Total Equipment 50.2

001.HAN

GBA

ADDITIONAL
EXPLANATION
FORM

AGENCY Commerce & Economic Development
BRU Occupational Licensing
COMPONENT Operations

FY 94

Page 2 of 2
Revised Date _____

STATE OF ALASKA

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

DIVISION OF OCCUPATIONAL LICENSING

WALTER J. HICKEL, GOVERNOR

P O BOX 110806
JUNEAU, ALASKA 99811-0806
PHONE: (907) 465-2534

February 25, 1993

Received

FEB 25 1993

FOR BRIAN PORTER

The Honorable Brian Porter
House of Representatives
State Capitol
Juneau, AK 99801-1182

Dear Representative Porter:

Re: Budget Increase Revenue Projection

Per your request of February 23, 1993, I have computed what I believe to be a conservative increase in net proceeds to permittees as well as increase in revenues to the state based upon the \$381.0 budget increase we proposed.

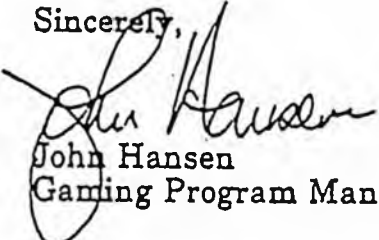
Net proceeds to permittees should increase by \$1.6¹ million. State revenues will increase by approximately \$274.0².

Revenue & Expenditures

<u>FY 94</u>	Revenue Estimate	\$1.974.0 ³
	Budget Expenditures	<u>\$1.042.0</u>
	Balance to General Fund	<u>\$ 932.0</u>

As reflected above the Gaming Program will generate more revenue and provide the general fund with approximately one million dollars in excess. Enclosed is the schedule used to arrive at these estimates.

Sincerely,


John Hansen
Gaming Program Manager

JH/go001.jh
022593c
Enclosures

¹Refer to revenue project - enclosed

²Refer to revenue project - enclosed

³Refer to revenue project - enclosed

Back-up

Comparison

<u>Provision</u>	<u>Senate Bill 76</u>	<u>House Bill 168</u>
Campaign contributions	Prohibits the use of net proceeds for direct campaign contributions. Parties could still retain their permits and use the proceeds to pay for uses other than political contributions, such as office expenses	Allows net proceeds to be used for direct campaign contributions.
Felony exclusions	Prohibits from participating for life those individuals acting a supervisory or managerial capacity who have been convicted of a felony, unclassified felony or a crime involving theft, dishonesty or a violation of gambling laws. It provides for some departmental discretion for some lesser felonies and misdemeanors after 10 years have passed.	The same as in SB-76
Lobbyist fees	Prohibits the use of net proceeds from any type of gaming for any reason to registered lobbyists.	Prohibits the use of net proceeds from bingo and pull-tabs for any reason to registered lobbyists.
Third party vendors	Allows permittees to contract directly with third party vendors to sell pull-tabs for them. The permittee receives a 50% return immediately upon giving the vendor the pull-tabs. Operators currently can give the permittee a return as low as 15%. Permittees are defined to be only those facilities that are licensed by the ABC-board with a beverage dispensary license or a package store license. These are establishments that can sell hard liquor. Restaurants that have a beverage dispensary license would be restricted to selling pull-tabs in only those areas that exclude minors.	Vendors are the same as in SB-76 except that they must return at least 70% of the ideal net to the permittee.
Percentage return to charities	Increases the return to charities to 30% for pull-tabs and 10% from all other operations. This return is calculated quarterly. The return allowed under current law is 15% from total operations for two consecutive quarters.	The same as in SB-76, except that operators must pay an annual average of 30% for pull-tabs and 10% for all other activities.

Multiple beneficiary permits	Allows permittees to operate their permits without having to use the services of an operator. 2 to 6 permittees can band together to operate their permits jointly, using a management team that is answerable solely to the permittees. This allows economies of scale to benefit the permittees.	The same as in SB-76.
Departmental approval of contracts	Requires the Department to approve contracts between operators and permittees..	The same as in SB-76.
Prohibit insider information	Allows the Department to revoke, for a period of one year, the permit of an operator, vendor, or permittee upon proof that inside information about the game was given or acted upon.	The same as in SB-76.
Licensing out of state pull-tab manufacturers	Mandates that pull-tab manufacturers must be licensed by the Department before they can sell pull-tabs within the state.	The same as in SB-76 except the licensing fee was increased from \$500 to \$2500.
Local option	Not addressed in bill.	Current regulations allow local option action against operators. Bill gives local option to ban pull-tabs.
Testing	Not addressed in bill.	The individuals in charge of operating the permit must pass a test on the contents of this bill.
Sale of pull-tabs from distributor to distributor	Not addressed in bill.	Allows a distributor to distribute pull-tabs to another distributor.
Age limit	Not addressed in bill.	Prohibits people under the age of 21 from playing pull-tabs.

Roger Cunningham
P.O. Box 874731
Wasilla, Ak 99687

May 10, 1993

Senator Drue Pearce
Alaska State Senate
State Capitol
Juneau, Ak 99811-1182

Dear Senator Pearce Via Fax to 465-3872 Hard Copy By Mail

I was very pleased to learn that SB-76 passed out of the House this evening.

There is one aspect of the House Version that is ABSOLUTELY UNACCEPTABLE to both Non-profit/Charitable groups and potential vendors....the "70/30 split."

I was informed tonight that Mark Higgins appeared before a House Committee Meeting today and endorsed this house-passed amendment. Mr. Higgins is paid by the industry faction that has vehemently opposed nearly every provision of the Pearce bill. Why does he now appear in support?

If this unfair percentage arrangement is left stand, there may as well be no "Vendor Provision" in the bill. That's exactly what the "BIG BINGO" and Commercial Rippie Store owners want.

In years past, I have presented testimony which illustrates what this percentage means to both the non-profit/charity AND the vendor. Before presenting a number of popular Alaska games to illustrate this point, please consider the following facts:

1. Not all potential vendors will sell pull-tabs "out of the goodness of their heart."
Many rely on the added profit from pull-tab sales to pay a portion of overhead.
2. Many potential vendors will reason that 30% of Ideal Net is not sufficient for the time and trouble of selling pull-tabs for the following reasons:
 - A. The "up-front" payment to the cooperating charity/non-profit.
 - B. The realization that substantial pilferage is commonplace.
 - C. The realization that the percentages allowed to commercial operators selling pull-tabs in a "rippie store" or commercial Bingo Hall, are essentially the reverse, with the operator receiving 70% for expenses and profit and the permittee settling for 30%.

Senator Pearce, Page 2

UNDER THE FREE ENTERPRISE SYSTEM, please understand that when a merchant buys and later sells any other product, he or she keeps 100% of the profit....less expenses. For the legislature to require a merchant to give up 70% of the profit after having done all the work is simply UNREALISTIC!

HOW DOES THIS AFFECT THE NON-PROFIT/CHARITABLE PERMIT HOLDER?

Most potential vendor locations will opt NOT to sell pull-tabs. Permittees who's main mission precludes a suitable location to self-direct a pull-tab operation loose this valuable and viable fundraising vehicle. BIG BINGO and the COMMERCIAL RIPPIE STORES will flourish with the decreased competition for vendors.

The result ... a net loss in fundraising opportunities at the hands of the Alaska Legislature.

During the last ^{Several} session, I presented testimony about compensation allowed vendors by state-operated lotteries. There is a parallel to be drawn from this information but the following fact differentiates pull-tabs from lottery tickets:

1. Lottery ticket vendors do not vend from open containers of tickets. They vend tickets from an on-line computer terminal which prints the ticket at the time of purchase. This essentially provides the vendor with a solid accounting system and virtually eliminates pilferage. Moneys generated from lottery ticket sales are funds-transferred into the state lottery account.
2. The MINIMUM paid vendors is \$0.05 (5cents) per ticket, with the base rate going to a high of 11 cents. In the case of "Scratch-off" or "Instant Win" tickets, the norm is 10 cents because of extra risk and handling.^{1,2}
3. State Lottery Boards often allow advertising and promotion allowances which raise the amount paid vendors substantially. "Promotion" includes a prize for the vendor's sales person who sold the winning ticket....as much as \$30,000 on a Million-Dollar Sweepstakes.^{3,4,5}

Because pull-tabs are sold from open containers, the element of loss remains present. Rather than a funds-transfer mechanism, pull-tab vendors pay for the product "up-front". There is no electronic terminal provided by the lottery board, the merchant is left to his own devices for accounting, security and internal control. Further, Alaska does not permit an "advertising and promotion" allowance as state lotteries employ to boost sales.

Because of these substantial differences in the proposed Alaska Vendor provisions and state lotteries, it seems entirely appropriate that the original 50/50 split in SB-76 become law. This is not meant to enhance the vendor's profit so much as to induce him to cooperate with a permittee in a viable fundraising method.

Senator Pearce, Page 3

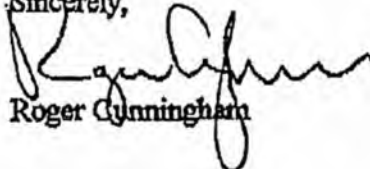
In the following brief analysis, (next page), I have compared several different pull-tab games commonly sold in Alaska. The figures are taken from my database of more than 10,000 games sold to Alaska non-profits and charities (permit holders).

There remains far more permittees seeking viable locations to conduct fundraising than operators or vendor locations at which to utilize a permit. Unless and until the balance is equalized, permittees will remain at the mercy of the commercial interests in this business. Your bill, as originally proposed, solved this problem equitably. Please.... do everything in your power to reinstate the original bill.

As this much-needed legislation sees its final hearing before the legislature, please dial my phone if you need any additional input.

I applaud your work on behalf of Alaska's non-profit/charitable organizations who, after all, are the intended beneficiaries of our "charitable gaming" statutes.

Sincerely,



Roger Cunningham

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Fax 376-0253

attachment: Spreadsheet, (unnumbered)
footnotes, as page 9

cc: John Nanesu
Paul Fuhs
Ray. Carl Moses
Jim Fisk, Kodiak

Catalog Number	Game Name	Ticket Count	Gross Sales	Paid to Winners	Ideal Net	50/50 % Permitee	Vendor	60/40 % Permitee	Vendor	70/30 % Permitee	Vendor
928T	Diamond Cherry	3839	\$3,839.00	\$2,800.00	\$1,039.00	\$519.50	\$519.50	\$623.40	\$415.60	\$727.30	\$311.70
Per Ticket, expressed in cents:						13.532	13.532	16.238	10.826	18.945	8.119
1048T	Stampede	6431	\$6,431.00	\$4,640.00	\$1,791.00	\$895.50	\$895.50	\$1,074.60	\$716.40	\$1,253.70	\$537.30
Per Ticket, expressed in cents:						13.925	13.925	16.709	11.140	19.495	8.355
493T	Oink (\$.50)	2399	\$1,199.50	\$784.00	\$415.50	\$225.75	\$225.75	\$249.30	\$166.20	\$290.85	\$124.65
Per Ticket, expressed in cents:						9.410	9.410	10.392	6.927	12.124	5.196
Average of More Than 10,000 Alaska-Played Games:											
(Source: TabTrak Data Previously Supplied to DCED)											
		2981	\$2,866.63	\$2,219.93	\$646.70	\$323.25	\$323.25	\$388.02	\$258.68	\$452.69	\$194.01
						11.276	11.276	13.536	8.024	15.792	6.768

¹ 22 states pay a base rate of \$.05 per \$1.00 ticket (5cents per ticket), 2 states pay \$.055, and four states pay a base of \$.06 per ticket. SOURCE: Gaming and Wagering Business, February, 1991.

² California Lottery pays an additional incentive for display of promotional material and offers the vendor a co-op advertising allowance

³ New Hampshire State Lottery pays the VENDOR for having sold a winning ticket. Prizes range from \$15 to \$500 for instant games and \$30,000 if the vendor sold the winning ticket in the Million-Dollar Sweepstakes.

⁴ In Maryland and D.C., vendors are paid a bonus of 4% for paying off smaller winning tickets, thereby reducing the work load on the state lottery board.

⁵ Western Canada Lotteries pay vendors 5% for "on-line" tickets and 10% for "instant tickets" thereby recognizing the additional risk and paper work of instants which are similar in nature to pull-tabs.