

HB

536

Alaska State Legislature

HOUSE OF REPRESENTATIVES

Committee on Finance

Official Business

State Capitol
Juneau, Alaska 99801-1182

SPONSOR'S STATEMENT

HB 536

(An Act relating to charitable gaming.)

The purpose of government's involvement in charitable gaming is to ensure public benefits by guaranteeing that a fair percentage of proceeds are directed to traditional charities.

In 1993 amendments were adopted to increase the amount of proceeds going to charity. The amendments allowed for expenses to be deducted from gross receipts, giving operators and permittees more latitude to have bigger prizes, more employees, and increased salaries. However, with more allowable expenses less money made its way to the charities than had been anticipated.

Over the last nine years the charitable gaming industry has grown by 471%. In 1994, \$257 million flowed out of people's pockets into gaming establishments - money that normally would be spent on food, services, clothing and shelter was spent in bingo halls and pull tab parlors. Alaska has the dubious distinction of leading the nation in per capita gaming receipts, with an annual average of \$453 being spent by each man, woman, and child living in the state. Compare this to Nevada's \$130 per capita gaming revenues.

Of the \$250 million spent on bingo and pull tabs, only \$19.7 million (7%) went to eligible charities. An additional \$1.8 million went to the state general fund. The bottom line is that under current statute, only 10% of the pull tab dollar and 2% of the bingo dollar go to charity. Of states with charitable gaming, Alaska ranks last in the amount of money realized by charities and the state.

Alaska has 28 gaming "operators" who are hired by many of the 2016 permittees to run their gaming operations. For their services the operators are able to take money off the top after prizes are awarded. The opportunity to make large sums of money in the name of charity appears unsettling.

This concern has been borne out by several audits and numerous investigations. In 1994 alone the Division found that operators owed charities an additional \$699,000 more than had been received. Following 123 investigations conducted that same year, the Division discovered \$470,000 in missing gaming receipts.

To increase the amount of gaming proceeds going to charities, the House Finance Committee introduced HB 536. This bill bases the percentage going to a charity or the state on "gross receipts," rather than on "net proceeds" as required by current statute. Additionally, using "gross receipts" as a base would simplify accounting and auditing activities for operators and permittees as well as the Charitable Gaming Division. It would eliminate the current necessity to "police" operators and permittees expenses to ascertain the "profit" or the "reasonable expenses," that must be determined when "net proceeds" are used as the base for deciding the amount accruing to a charity or to the state.

HB 536 provides for charities to collect 20% and the State to collect 5% of all dollars spent on pull tabs and bingo (Ontario collects 30% of gross gaming receipts). If this legislation is adopted, it is estimated that next year state gaming activities would provide an additional \$11 million general fund revenues and an additional \$30 million for eligible charities.

LEGAL SERVICES

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MEMORANDUM

March 23, 1996

SUBJECT: Sectional Summary of CSHB 536(), "F" version, draft, dated 3/11/96. (Work Order No. 9-LS1715\F)

TO: Representative Terry Martin
Attn: Jeanne Larson

FROM: Gerald P. Luckhaupt *GL*
Legislative Counsel

You have requested a sectional summary of the above-described bill. As a preliminary matter, please note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill - the bill itself is the best statement of its contents.

Section 1 provides that permittees that have over \$20,000 in gross receipts from gaming, other than bingo and pull-tabs, shall annually pay a fee of one percent of the net proceeds from the activity.

Section 2 requires the Department of Revenue to develop methods of (1) determining the net proceeds from gaming other than bingo or pull-tabs, (2) determining the net proceeds of bingo or pull-tab games conducted by the holders of multiple-beneficiary permit, and (3) accounting for the gross receipts from bingo and pull-tab games conducted by a permittee or an operator.

Section 3 provides that each permittee must pay to the state a tax of five percent of the total gross receipts derived from bingo and five percent of the ideal gross from pull-tab games.

Section 4 identifies the information that must be reported to the department from permittees who conduct bingo and pull-tab games and other activities; requires the quarterly tax payment to be submitted with the quarterly report.

Section 5 identifies the information that must be reported to the department by the holders of a multiple-beneficiary permit that conducts bingo and pull-tab games and other activities; requires the quarterly tax payment to be submitted with the quarterly report; requires the member in charge of a multiple-beneficiary permit to file monthly, quarterly, and annual reports with each permittee that holds the multiple-beneficiary permit (as operators are required to do with authorizing permittees) and identifies the information that must be

Representative Terry Martin

March 23, 1996

Page 2

submitted to the holders and requires that payment for the percentage of the gross receipts from bingo and ideal gross from pull-tabs (or net proceeds from those activities if greater than the percentage amounts) and the net proceeds from other activities due to each permittee be submitted along with the report.

Section 6 identifies the information that must be reported by operators to the department.

Sections 7 and 8 relate to the information that is required to be submitted by operators in their monthly and quarterly reports to their authorizing permittees; requires that the payment of the percentage of gross receipts from bingo and of ideal gross from pull-tabs and the net proceeds from other activities that is due to the authorizing permittee be made with the monthly report.

Sections 9 and 10 provide that a permittee or operator may not conduct a gaming activity in any period in which a tax is delinquent and provides that delinquent taxes earn interest.

Section 11 provides that a permittee shall pay to the department a penalty of one percent per month that a tax is delinquent and that the department can waive the penalty.

Section 12 provides that an operator that fails to pay the required percentages of gross receipts from bingo and ideal gross from pull-tab games and net proceeds from other activities must pay interest to the permittee (as the permittee is required to pay interest to the department under section 10 of the bill) and a penalty to the state equal to the interest due to the permittee.

Section 13 relates to issuance of multiple-beneficiary permits and provides that in AS 05.15 "permit" includes "multiple-beneficiary permittees" unless the context clearly requires otherwise.

Section 14 relates to contracts between permittees and operators and provides that a contract may not contain a provision that requires the permittee to pay to the operator any amount that would result in the permittee realizing less from the gaming activity than the minimum amounts set in statute.

Section 15 provides that the department may void a contract between an operator and a permittee if the contract contains provisions that are contrary to law.

Section 16 requires an operator to pay each authorizing permittee at least 25 percent of the gross receipts from bingo and 25 percent of the ideal gross from pull-tab games each quarter and at least 10 percent of the adjusted gross income from any other activity annually.

Representative Terry Martin

March 23, 1996

Page 3

Section 17 requires the department, in addition to the monetary penalty provided in AS 05.15.095, to suspend or revoke the licenses of operators that fail to make payments to permittees as provided in section 16.

Section 18 provides that each proposed holder of a multiple-beneficiary permit must have a valid permit to individually conduct the activities to be permitted under the multiple-beneficiary permit; requires that the holders must enter into a contract regarding the multiple beneficiary permit.

Section 19 requires the holders of a multiple-beneficiary permit to jointly file reports and provides that the holders are jointly liable for the activities under the permit and any suspension or revocation of the multiple-beneficiary permit also results in suspension or revocation of all individual permits of the holders.

Section 20 requires the department to suspend or revoke a multiple-beneficiary permit when 25 percent of gross receipts from bingo (or the net proceeds whichever is greater), 25 percent of ideal gross from pull-tab games (or the net proceeds whichever is greater), and 10 percent of adjusted gross income from other activities, is not paid to the holders of the permit; provides a schedule of suspension periods and revocation for failure to pay the minimum amounts to the holders; provides other requirements that multiple-beneficiary permittees have to meet.

Section 21 prohibits the percentage of gross receipts and of ideal gross and the net proceeds from being used for anything other than the charitable purposes identified and for payment of the bingo and pull-tab tax.

Section 22 requires permittees that conduct their own gaming to retain at least 25 percent of gross receipts from bingo and 25 percent of ideal gross from pull-tab games for charitable purposes and for payment of the bingo and pull-tab tax; provides for suspension or revocation of permits for violations of the retained earnings requirement pursuant to a schedule.

Section 23 identifies what are authorized expenses for the conduct of a gaming activity.

Section 24 requires payments by an operator to a permittee to be by check.

Section 25 prohibits an operator from engaging in certain activities.

Sections 26 and 27 relate to the bond required of an operator.

Sections 28 and 29 provides that a permittee that contracts with a vendor for the sale of pull-tab games must receive at least 25 percent of the ideal gross and how that 25 percent must be paid.

Representative Terry Martin
March 23, 1996
Page 4

Section 30 defines ideal gross.

Section 31 provides repealers.

Section 32 provides a statement of legislative intent as to how this bill relates to other acts of the legislature that are passed in 1996.

GPL:lmb:glc
96-069.lmb

9-LS1715\F
Luckhaupt
3/11/96

CS FOR HOUSE BILL NO. 536()
IN THE LEGISLATURE OF THE STATE OF ALASKA
NINETEENTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): HOUSE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to charitable gaming."

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

3 * Section 1. AS 05.15.020(b) is repealed and reenacted to read:

4 (b) In addition to the fee provided in (c) of this section, each municipality or
5 qualified organization that has gross receipts of \$20,000 or more from an authorized
6 activity, other than bingo or pull-tab games, shall annually pay to the department one
7 percent of the net proceeds received during the preceding year from that authorized
8 activity.

9 * Sec. 2. AS 05.15.060(a) is amended to read:

10 (a) The department shall adopt regulations under AS 44.62 (Administrative
11 Procedure Act) necessary to carry out this chapter covering, but not limited to,

12 (1) the issuance, renewal, and revocation of permits, licenses, and vendor
13 registrations;

14 (2) a method of

15 (A) ascertaining net proceeds of

1 than 14 bingo sessions a month and 35 bingo games a session to be conducted under a
2 permit; the holders of a multiple-beneficiary permit under AS 05.15.100(d) may hold,
3 operate, or conduct the number of sessions and games a month equal to the number
4 allowed an individual permittee per month multiplied by the number of municipalities
5 and qualified organizations that hold [HOLDERS OF] the multiple-beneficiary permit:

6 (8) a method of accounting for receipts and disbursements by operators,
7 including the keeping of records and requirements for the deposit of all receipts in a
8 bank;

9 (9) the disposition of funds in possession of a permittee, a person,
10 municipality, or qualified organization that possesses an operator's license, or a registered
11 vendor at the time a permit, a license, or a vendor registration is surrendered, revoked,
12 or invalidated;

13 (10) restrictions on the participation by employees of the Department of
14 Fish and Game in salmon classics and in king salmon classics, and by employees of
15 Douglas Island Pink and Chum in king salmon classics;

16 (11) other matters the department considers necessary to carry out this
17 chapter or protect the best interest of the public.

18 * Sec. 3. AS 05.15 is amended by adding a new section to read:

19 Sec. 05.15.075. BINGO AND PULL-TAB GAME TAX. Each municipality or
20 qualified organization that is permitted to conduct, or that is one of the holders of a
21 multiple-beneficiary permit to conduct, a bingo or pull-tab game shall pay a bingo and
22 pull-tab game tax in the amount of (1) five percent of the total gross receipts from bingo,
23 and (2) five percent of the ideal gross from a pull-tab game. The tax shall be paid
24 monthly at the times and in the manner set by the department. Activities under this
25 chapter may not be conducted under a permit or multiple-beneficiary permit if the tax
26 due under this section is delinquent.

27 * Sec. 4. AS 05.15.080 is amended to read:

28 Sec. 05.15.080. REPORTS AND FEES REQUIRED OF MUNICIPALITIES
29 AND QUALIFIED ORGANIZATIONS. (a) A municipality or a qualified organization
30 issued a permit under this chapter shall file a report with the department by the 45th day
31 following each calendar quarter in which the permittee had gross receipts from bingo
32 or pull-tab games [OF \$50,000 OR MORE FROM ACTIVITIES] authorized under this

1 chapter. The report must include, for the bingo and pull-tab games [THE TYPE OF
2 ACTIVITY CONDUCTED], the dates [DATE] and locations [LOCATION] of the
3 games, the ideal gross for each pull-tab game series placed in service that quarter,
4 the amount of gross receipts from bingo and [ACTIVITY], the amount of gross
5 receipts from pull-tab games, the amount of gaming [AUTHORIZED] expenses, the
6 value of prizes awarded, [THE AMOUNT OF NET PROCEEDS.] and other information
7 the department may require. The quarterly tax payment required under AS 05.15.075
8 shall be submitted with the report. A [HOWEVER, IF THE ONLY ACTIVITY
9 CONDUCTED BY A] municipality or qualified organization that has not conducted
10 bingo or pull-tab games during a calendar quarter is [A RAFFLE OR LOTTERY,
11 THEN THE MUNICIPALITY OR QUALIFIED ORGANIZATION IS] not required to
12 file a report under this subsection [UNTIL THE RAFFLE OR LOTTERY IS
13 COMPLETED].

14 (b) A municipality or a qualified organization issued a permit under this chapter
15 shall file an annual report with the department by March 15 of the year following the
16 year in which activities were conducted, accompanied by the payment of the additional
17 fee, as may be required under AS 05.15.020(b). The report must list the types of
18 activities conducted, the ideal gross of pull-tab games placed in service during the
19 year, the gross receipts from bingo, the gross receipts from pull-tab games, the
20 amount of gaming expenses and prizes awarded for bingo and pull-tab games, and,
21 for each other activity, the total amount of gross receipts, the total amount of authorized
22 expenses, the total value of prizes awarded, and the total amount of net proceeds.

23 * Sec. 5. AS 05.15 is amended by adding a new section to read:

24 Sec. 05.15.082. REPORTS AND FEES REQUIRED OF MULTIPLE-
25 BENEFICIARY PERMITS. (a) The holders of a multiple-beneficiary permit shall file
26 a report with the department by the 45th day following each calendar quarter in which
27 the multiple-beneficiary permit had gross receipts from bingo or pull-tab games
28 authorized under this chapter. The report must include for the bingo and pull-tab games,
29 the dates and locations of the games, the ideal gross for each pull-tab game series placed
30 in service that quarter, the amount of gross receipts from bingo and the amount of gross
31 receipts from pull-tab games, the amount of authorized expenses, the value of prizes
32 awarded, the amount of net proceeds, a completed Internal Revenue Service Form 941,

1 a copy of the employer contributions and wage reports submitted to the Department of
2 Labor for the quarter for those employed by the holders of the multiple-beneficiary
3 permits to conduct activities under this chapter, and other information the department
4 may require. A multiple-beneficiary permittee that has not conducted bingo or pull-tab
5 games during a calendar quarter is not required to file a report under this subsection.

6 (b) The holders of a multiple-beneficiary permit shall file an annual report with
7 the department by March 15 of the year following the year in which activities were
8 conducted, accompanied by the payment of the additional fee, as may be required under
9 AS 05.15.020(b). The report must list the types of activities conducted, the ideal gross
10 of pull-tab games placed in service the previous year, the total amount of gross receipts
11 from bingo and the total amount of gross receipts from pull-tab games, the percentage
12 of gross receipts from bingo and pull-tab games paid to each municipality and qualified
13 organization that holds the multiple-beneficiary permit, and the amount of gross receipts,
14 authorized expenses, prizes awarded, and net proceeds for each activity conducted other
15 than bingo or pull-tab games. The annual report must also include a completed Internal
16 Revenue Service Form W-2 for each person employed by the operator during the
17 preceding year.

18 (c) The member in charge of a multiple-beneficiary permit shall file a monthly
19 report with each municipality or qualified organization holding the permit if an activity
20 was conducted during the preceding month. The report must include a daily summary
21 of activity conducted under the multiple-beneficiary permit and a daily accounting of the
22 ideal gross of pull-tab games for each series placed in service that month, gross receipts
23 from bingo, gross receipts from pull-tab games, the amount of authorized expenses, the
24 value of prizes awarded, and the amount of net proceeds from bingo and pull-tab games,
25 and gross receipts, expenses, and net proceeds from each activity other than bingo or
26 pull-tab games conducted that month. A check in the amount of the percentage of ideal
27 gross for each series of pull-tab games, the percentage of the gross receipts from bingo,
28 and the net proceeds from activities other than bingo or pull-tabs due to the holders of
29 the multiple-beneficiary permit for the month must accompany the report. The member
30 in charge shall file the report by the 15th day after the end of the month covered by the
31 report.

32 (d) The member in charge of a multiple-beneficiary permit shall file a quarterly

1 report with each municipality or qualified organization holding the permit if an activity
2 was conducted during the preceding calendar quarter. The report must at a minimum
3 contain the information required to be submitted to the department under (a) and (b) of
4 this section. The member in charge shall file the report by the last day of the month
5 following the end of the calendar quarter.

6 (e) The member in charge of a multiple-beneficiary permit shall file an annual
7 report with each municipality or qualified organization holding the permit if an activity
8 was conducted during the preceding calendar year. The report must contain an annual
9 summary of the information provided under (a) and (b) of this section. The operator
10 shall file this report by February 28 of the year following the year in which the activities
11 were conducted.

12 * Sec. 6. AS 05.15.083 is amended to read:

13 Sec. 05.15.083. REPORTS TO DEPARTMENT BY OPERATORS. (a) An
14 operator shall file a report with the department by the last business day of the month
15 following each calendar quarter in which an activity was conducted. The report must
16 include, for each authorizing permittee on whose behalf an activity was conducted during
17 the quarter, the date and location of each activity, the type of activity conducted, and,
18 if the activity was

19 (1) a bingo or pull-tab game, the ideal gross for each pull-tab game
20 series placed in service that quarter, the amount of gross receipts for bingo and the
21 amount of gross receipts for pull-tab games, the amount of gaming [AUTHORIZED]
22 expenses, the value of prizes awarded, the amount of gross receipts [NET PROCEEDS]
23 paid to the permittee for bingo and the amount of gross receipts paid to the
24 permittee for pull-tab games, and other information the department may require;

25 (2) other than a bingo or pull-tab game, the amount of gross receipts
26 for the activity, the amount of authorized expenses, the value of prizes awarded, the
27 amount of net proceeds paid to the permittee, a completed Internal Revenue Service
28 Form 941, [; AND] a copy of the operator's employer contributions and wage reports
29 submitted to the Department of Labor for the quarter, and other information the
30 department may require; however [. HOWEVER], if the only activity conducted by
31 an operator during the calendar quarter is a raffle or lottery, then the operator is not
32 required to file a report under this subsection until the raffle or lottery is completed.

1 (b) An operator shall file an annual report with the department no later than
2 February 28 of the year following the year in which activities were conducted. The
3 report must include, for each authorizing permittee on whose behalf an activity was
4 conducted, the types of activities conducted, the total amount of ideal gross from pull-
5 tab game series placed in service, the total amount of gross receipts for each activity
6 conducted, the total amount of gaming expenses for bingo and pull-tab games, the
7 total amount of authorized expenses for nonbingo or pull-tab games, the total value of
8 prizes awarded, the total amount of gross receipts from bingo and the total amount
9 of gross receipts from pull-tab games paid to each authorizing permittee, and the
10 total amount of net proceeds from activities other than bingo or pull-tabs paid to each
11 authorizing permittee. The annual report must also include a completed Internal Revenue
12 Service Form W-2 for each person employed by the operator during the preceding year.

13 * Sec. 7. AS 05.15.087(a) is amended to read:

14 (a) An operator shall file a monthly report with each authorizing permittee for
15 which the operator has conducted an activity during the preceding month. The report
16 must include a daily summary of activity conducted under the permit issued to the
17 authorizing permittee and a daily [AN] accounting of the ideal gross of pull-tab games
18 for each series placed in service that month, the gross receipts from bingo, gross
19 receipts from pull-tab games, the value of prizes awarded from all activities, and
20 gross receipts, authorized [,] expenses, and net proceeds from each activity other than
21 bingo or pull-tab games conducted that [FOR THE] month. A check in the amount
22 of the gross receipts from bingo and gross receipts from pull-tab games and in the
23 amount of the net proceeds from activities other than bingo or pull-tabs due to the
24 authorizing permittee for the month must accompany the report. The operator shall file
25 the report by the 15th day after the end of the month covered by the report.

26 * Sec. 8. AS 05.15.087(b) is amended to read:

27 (b) An operator shall file a quarterly report with each authorizing permittee for
28 which the operator has conducted an activity during the preceding calendar quarter. The
29 report must at a minimum contain the information required to be submitted to the
30 department [QUARTERLY SUMMARIES AND YEAR-TO-DATE TOTALS OF THE
31 INFORMATION PROVIDED] under AS 05.15.083(a) [(a) OF THIS SECTION]. The
32 operator shall file the report by the last day of the month following the end of the

1 calendar quarter.

2 * Sec. 9. AS 05.15.095(b) is amended to read:

3 (b) A permittee or operator may not conduct an activity under this chapter during
4 a period in which a report, tax, or fee is delinquent.

5 * Sec. 10. AS 05.15.095(c) is amended to read:

6 (c) A delinquent fee or tax bears interest at the rate set by AS 43.05.225.

7 * Sec. 11. AS 05.15.095(d) is amended to read:

8 (d) A permittee [OR LICENSEE] under this chapter shall pay a penalty of one
9 percent of the unpaid balance, as determined by the department, of a fee or tax due
10 under this chapter for each 30-day period or part of a 30-day period that the fee or tax
11 is delinquent. The department may waive the penalty if the failure to pay the fee or tax
12 on time is due to a reasonable cause, as defined by regulation adopted by the department.
13 The amount of the penalty may not exceed 25 percent of the unpaid fee or tax.

14 * Sec. 12. AS 05.15.095 is amended by adding a new subsection to read:

15 (e) An operator who fails to pay to the authorizing permittee the minimum
16 percentages of ideal gross from pull-tab games and gross receipts from bingo and the net
17 proceeds from an activity other than bingo or pull-tab games, at the times specified in
18 this chapter, shall pay to

19 (1) the authorizing permittee interest in the amount specified under (c)
20 of this section; and

21 (2) the department a penalty equal to the interest due to the authorizing
22 permittee under (1) of this subsection.

23 * Sec. 13. AS 05.15.100(d) is amended to read:

24 (d) The department may issue a multiple-beneficiary permit to two to six
25 municipalities or qualified organizations or to a combination of two to six municipalities
26 and qualified organizations that apply jointly for the multiple-beneficiary permit. The
27 multiple-beneficiary permit gives the permit holders the privilege of jointly conducting
28 the activities specified in (a) of this section. In this title, unless the context clearly
29 requires otherwise, "permit" includes a multiple-beneficiary permit.

30 * Sec. 14. AS 05.15.115(b) is amended to read:

31 (b) The contract between an authorizing permittee and an operator must include
32 the amount of the fee for services provided [AND FORM OF COMPENSATION] to

1 be paid to the operator, the amount of the percentage of gross receipts from bingo
 2 and ideal gross from pull-tab games to be paid to the permittee but not less than
 3 the minimum percentages set under this chapter, the term of the contract, the
 4 activities to be conducted by the operator on behalf of the permittee, the location where
 5 the activities are to be conducted, the name and address of the member in charge, and
 6 other provisions the department may require. The contract may not contain a
 7 provision that requires the permittee to pay to the operator, whether from gaming
 8 receipts or proceeds or from other separate funds of the permittee, an amount that
 9 would result in the permittee realizing less from the gaming activity than the
 10 minimum percentages of gross receipts from bingo and of ideal gross from pull-tab
 11 games required to be paid to a permittee and the minimum net proceeds required
 12 to be paid to a permittee for activities other than bingo and pull-tab games.

13 * Sec. 15. AS 05.15.115(d) is amended to read:

14 (d) A permittee shall submit by certified mail to the department for review
 15 [APPROVAL] a copy of each contract with an operator with whom the permittee
 16 contracts to conduct activities subject to this chapter. The contract must meet the
 17 requirements of this section. If the contract does not meet the requirements of this
 18 section or contains provisions that violate this chapter or the regulations adopted
 19 under it, the [THE] department shall declare [APPROVE OR DISAPPROVE] the
 20 contract void, and may suspend or revoke the license of the operator and the permit
 21 of the permittee. Any changes to a contract must be submitted to the department
 22 for review under this section [. IF THE CONTRACT IS DISAPPROVED, REASONS
 23 FOR THE DISAPPROVAL SHALL BE PROVIDED IN WRITING TO THE
 24 PERMITTEE. ACTIVITIES MAY NOT BE CONDUCTED UNDER THE CONTRACT
 25 BEFORE THE CONTRACT IS APPROVED. SUBSEQUENT AMENDMENTS TO AN
 26 APPROVED CONTRACT DO NOT TAKE EFFECT UNTIL THE AMENDMENTS
 27 ARE APPROVED BY THE DEPARTMENT].

28 * Sec. 16. AS 05.15.128(a) is repealed and reenacted to read:

29 (a) An operator shall pay to each authorizing permittee
 30 (1) quarterly at least 25 percent of the gross receipts from bingo and 25
 31 percent of the ideal gross from a pull-tab game; or
 32 (2) annually at least 10 percent of the adjusted gross income from an

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activity other than bingo or pull-tab games.

* Sec. 17. AS 05.15.128 is amended by adding new subsections to read:

(c) In addition to any applicable penalty under AS 05.15.095, the department shall suspend or revoke the license of an operator who does not pay to an authorizing permittee the minimum amounts specified in (a) of this section, as follows:

- (1) fails to pay on separate occasions within a three-year period
..... 30-day suspension;
- (2) fails to pay on three separate occasions within a three-year period
..... 90-day suspension;
- (3) fails to pay on four separate occasions within a three-year period
..... permanent revocation.

(d) If an operator fails to pay to the authorizing permittee the minimum amounts specified in (a) of this section, the operator shall, within the four quarters immediately following the quarter in which the underpayment was made, pay to the authorizing permittee the difference between the amounts actually paid and the minimum amounts plus interest as required under AS 05.15.095. The department shall permanently revoke the license of an operator who fails to comply with this subsection.

(e) An operator whose license has been suspended under (c) of this section may not operate an activity under this section during the period of suspension. An operator whose license has been revoked under (c) or (d) of this section may not be licensed as an operator.

* Sec. 18. AS 05.15.145(a) is amended to read:

(a) Two to six municipalities or qualified organizations, or a combination of two to six municipalities and qualified organizations, may jointly apply for a multiple-beneficiary permit under AS 05.15.100(d). The commissioner may not issue or renew a permit except upon satisfactory proof that each joint applicant is a municipality or qualified organization, the activity may be permitted under this chapter, and the issuance of a permit is not detrimental to the best interests of the public. To apply for a multiple-beneficiary permit, each municipality or qualified organization must at the time of application have a valid permit to individually conduct the activities to be conducted under the multiple-beneficiary permit. The application must also include the contract between the municipalities or qualified organizations that will hold the

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multiple-beneficiary permit. The contract must describe how the gaming activity will be conducted and how the distribution of the receipts or proceeds will be conducted and must contain a provision that expenses may not be distributed to the holders of the multiple-beneficiary permit. Upon request of the commissioner, the joint applicants shall prove conclusively each of these requirements before a multiple-beneficiary permit may be issued or renewed.

* Sec. 19. AS 05.15.145(d) is amended to read:

(d) The holders of a multiple-beneficiary permit shall jointly file reports with the department as required [THAT COMPLY WITH THE REPORTING REQUIREMENTS IMPOSED ON OPERATORS] under AS 05.15.082. The holders of a multiple-beneficiary permit are jointly responsible for the conduct of the activities permitted. Suspension, revocation, or other action by the department against a multiple-beneficiary permit is an action against each holder of the permit. The suspension or revocation of a multiple-beneficiary permit also results in the suspension or revocation of the individual permits of the holders of the multiple-beneficiary permit [AS 05.15.083].

* Sec. 20. AS 05.15.145 is amended by adding new subsections to read:

(e) The department shall suspend or revoke, as provided in (f) of this section, a multiple-beneficiary permit if the following amounts are not distributed to the holders of the multiple-beneficiary permit:

- (1) for bingo and pull-tab games, quarterly, the greater of
 - (A) at least 25 percent of the gross receipts from bingo and 25 percent of the ideal gross from pull-tab games; or
 - (B) the net proceeds from bingo and pull-tab games; and
- (2) annually, for activities other than bingo or pull-tab games, not less than 10 percent of the adjusted gross income from the activity.

(f) In addition to any applicable penalty under AS 05.15.095, the department shall suspend or revoke the permit of a multiple-beneficiary permittee who does not pay to the holders of the multiple-beneficiary permit the minimum amounts specified in (e) of this section, as follows:

- (1) fails to pay on two separate occasions within a three-year period
..... 30-day suspension;

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(2) fails to pay on three separate occasions within a three-year period
..... 90-day suspension;

(3) fails to pay on four separate occasions within a three-year period
..... permanent revocation.

(g) If a multiple-beneficiary permittee fails to pay the holders of the multiple-beneficiary permit the minimum amounts specified in (e) of this section, the multiple-beneficiary permittee shall, within the four quarters immediately following the quarter in which the underpayment was made, pay to the holders of the multiple-beneficiary permit the difference between the amounts actually paid and the minimum amounts. In addition, a multiple-beneficiary permittee shall pay interest on the underpayment to the holders of the multiple-beneficiary permit and to the department as is required of operators in AS 05.15.095(e). The department shall permanently revoke the permit of a multiple-beneficiary permittee who fails to comply with this subsection.

(h) The holders of a multiple-beneficiary permit may not

- (1) charge losses resulting from bad checks or uncollectible debts against the percentage of gross receipts or the net proceeds due to the authorizing permittee;
- (2) extend credit to players;
- (3) employ house players;
- (4) allow the employees of the holders of the multiple-beneficiary permit to play a game conducted under the multiple-beneficiary permit at the location where the employee works for the holders of the multiple-beneficiary permit.

* Sec. 21. AS 05.15.150 is amended to read:

Sec. 05.15.150. LIMITATION ON USE OF RECEIPTS OR PROCEEDS. (a) The percentage of gross receipts, the ideal gross, and the net proceeds that are required to be paid to, or retained by, a permittee or the holders of a multiple-beneficiary permit for an [AUTHORITY TO CONDUCT THE] activity authorized by this chapter may only be expended by the permittee or the holders of the multiple-beneficiary permit for (1) the payment of the bingo and pull-tab tax under AS 05.15.075, (2) the payment of the federal excise tax on pull-tabs, (3) the payment of the state and federal business income taxes realized from the sale of pull-tabs, (4) the payment of municipal sales taxes on pull-tabs, (5) the purchase of pull-tab games sold by a vendor on behalf of a permittee, and (6) [IS CONTINGENT UPON

1 THE DEDICATION OF THE NET PROCEEDS OF THE CHARITABLE GAMING
 2 ACTIVITY TO THE AWARDING OF PRIZES TO CONTESTANTS OR
 3 PARTICIPANTS AND TO] political, educational, civic, public, charitable, patriotic, or
 4 religious uses in the state. "Political, educational, civic, public, charitable, patriotic, or
 5 religious uses" means uses benefiting persons either by bringing them under the influence
 6 of education or religion or relieving them from disease, suffering, or constraint, or by
 7 assisting them in establishing themselves in life, or by providing for the promotion of the
 8 welfare and well-being of the membership of the organization within their own
 9 community, or through aiding candidates for public office or groups that support
 10 candidates for public office, or by erecting or maintaining public buildings or works, or
 11 lessening the burden on government. "Political, educational, civic, public, charitable,
 12 patriotic, or religious uses" do [, BUT DOES] not include

13 [(1)] the direct or indirect payment of any portion of the gross receipts
 14 paid or retained, the ideal gross paid to a permittee, or the net proceeds of a bingo
 15 or pull-tab game to a person [LOBBYIST] registered as a lobbyist under AS 24.45
 16 during the current or prior calendar year, [;] or

17 [(2)] the erection, acquisition, improvement, maintenance, or repair of real,
 18 personal, or mixed property unless it is used exclusively for one or more of the permitted
 19 uses. The expenditure of gross receipts, ideal gross, or net proceeds paid to, or
 20 required to be retained by, a permittee or the holders of a multiple-beneficiary
 21 permit to pay gaming expenses or for any other purpose, except as specifically
 22 authorized in this section, is prohibited. The commissioner may revoke the permit
 23 of a municipality or qualified organization that expends funds in a manner
 24 prohibited by this section.

25 (b) The percentage of gross receipts from bingo or the ideal gross from pull-
 26 tab games required to be paid to a permittee, the percentage of gross receipts and
 27 ideal gross or the net proceeds from bingo or pull-tab games required to be paid
 28 to the holders of a multiple-beneficiary permit, the percentage of gross receipts or
 29 ideal gross from bingo or pull-tab games required to be retained by a permittee,
 30 and the net proceeds derived from an [THE] activity other than bingo or pull-tab
 31 games must be devoted within one year to one or more of the uses stated in (a) of this
 32 section. A municipality or qualified organization desiring to hold the gross receipts,

1 ideal gross, or net proceeds for a period longer than one year must apply to the
 2 department for special permission and upon good cause shown the department may grant
 3 the request. The accumulation and expenditure of funds held more than one year
 4 must be reported to the department and accounted for by the municipality or
 5 qualified organization annually.

6 * Sec. 22. AS 05.15 is amended by adding a new section to read:

7 Sec. 05.15.155. PERCENTAGE OF GROSS RECEIPTS FROM BINGO AND
 8 IDEAL GROSS FROM PULL-TAB GAMES CONDUCTED BY PERMITTEES. (a)

9 A municipality or qualified organization that conducts a bingo or pull-tab activity must
 10 retain at least 25 percent of the gross receipts from bingo and 25 percent of the ideal
 11 gross from pull-tab games for

12 (1) payment of the tax required under AS 05.15.075 and any other taxes
 13 authorized to be paid in AS 05.15.150(a); and

14 (2) dedication to political, educational, civic, public, charitable, patriotic,
 15 or religious uses.

16 (b) The commissioner shall suspend or revoke the permit of a municipality or
 17 qualified organization that fails to retain at least 25 percent of the gross receipts from
 18 bingo and 25 percent of the ideal gross from pull-tab games as provided in (a) of this
 19 section as follows:

20 (1) fails to pay on two separate occasions within a three-year period
 21 30-day suspension;

22 (2) fails to pay on three separate occasion within a three-year period
 23 90-day suspension;

24 (3) fails to pay on four separate occasions within a three-year period
 25 permanent revocation.

26 (c) If a permittee fails to retain the minimum amounts specified in (a) of this
 27 section, the operator shall retain the difference between the amounts actually paid and
 28 the minimum amounts. The department shall permanently revoke the permit of a
 29 permittee that fails to comply with this subsection.

30 (d) A municipality or qualified organization whose permit has been

31 (1) suspended under (b) of this section may not conduct an activity under
 32 this chapter during the period of suspension;

1 (2) revoked under (b) or (c) of this section may not be issued a permit
2 to conduct an activity under this section.

3 (e) In this section, "political, educational, civic, public, charitable, patriotic, or
4 religious uses" has the meaning given in AS 05.15.150.

5 * Sec. 23. AS 05.15.160 is amended to read:

6 Sec. 05.15.160. AUTHORIZED EXPENSES. (a) The only expenses that may
7 be incurred or paid in connection with the conduct [OPERATION] of an activity by

8 (1) the holders of a multiple-beneficiary permit are bona fide
9 expenses reasonably necessary for

10 (A) goods, wares, and merchandise necessary for the conduct
11 of the activity;

12 (B) personal services involved with the conduct of the activity,
13 including those performed by an employee of the holders of a multiple-
14 beneficiary permit;

15 (2) a permittee or an operator on behalf of a permittee under a permit
16 issued under this chapter for the conduct of an activity other than bingo or pull-tab
17 games are bona fide expenses reasonably necessary for

18 (A) [(1)] goods, wares, and merchandise necessary for the
19 conduct [OPERATION] of the activity;

20 (B) [(2)] personal services involved with the conduct
21 [OPERATION] of the activity, including those performed by

22 (i) [(A)] an employee of the permittee; or

23 (ii) [(B)] an operator hired by the permittee to conduct the
24 activity if the compensation is not related to the receipts from the activity.

25 (b) Expenses for personal services under (a) of this section are bona fide if
26 the [MUNICIPALITIES, QUALIFIED ORGANIZATIONS, AND OPERATORS MAY
27 PAY THEIR EMPLOYEES A REASONABLE AMOUNT IN] wages or other
28 compensation for personal services are reasonable in amount [RENDERED BY THEIR
29 EMPLOYEES WHILE THE EMPLOYEES ARE ENGAGED IN ACTIVITIES
30 SUBJECT TO THIS CHAPTER]. A reasonable amount of compensation is an amount
31 approximating the amount ordinarily paid by similar businesses for similar work
32 performed under similar circumstances.

1 (c) The total amount of authorized expenses that may be incurred under (a)(1)
2 [(a)] of this section in connection with a bingo or pull-tab game [ACTIVITY] may not
3 exceed 75 [70] percent of the gross receipts [ADJUSTED GROSS INCOME] from
4 bingo and 75 percent of the ideal gross from [THAT] pull-tab games [ACTIVITY].

5 (d) The total amount of authorized expenses that may be incurred under (a) of
6 this section in connection with any gaming activity other than bingo or pull-tab games
7 [PULL-TABS] may not exceed 90 percent of the adjusted gross income from that
8 gaming activity.

9 * Sec. 24. AS 05.15.165(a) is amended to read:

10 (a) An operator shall pay percentages of gross receipts and the net proceeds
11 to the authorizing permittee by check.

12 * Sec. 25. AS 05.15.165(f) is amended to read:

13 (f) An operator may not

14 (1) charge losses resulting from bad checks or uncollectible debts against
15 the percentage of gross receipts or the net proceeds due to the authorizing permittee;

16 (2) extend credit to players;

17 (3) employ house players;

18 (4) allow the operator's employees to play a game conducted by the
19 operator at the location where the employee works for the operator.

20 * Sec. 26. AS 05.15.167(a) is amended to read:

21 (a) The bond or security filed under AS 05.15.122(b) must be made payable to
22 the department and must be conditioned upon payment of the amounts due to the
23 department and payment of the percentage of gross receipts or the net proceeds due
24 to the authorizing permittee. If the operator fails to make the required payments, the
25 operator forfeits the bond or security to the department.

26 * Sec. 27. AS 05.15.167(b) is amended to read:

27 (b) The amount forfeited under (a) of this section shall be first used to satisfy
28 delinquent fees, taxes, interest, and penalties due the department under this chapter. If
29 the bond or security is not exhausted by payment of delinquent fees, taxes, interest, and
30 penalties, the department may use the remaining amount to pay the percentage of gross
31 receipts and the net proceeds due an authorizing permittee. The total amount available
32 for payment of the percentage of gross receipts and the net proceeds shall be prorated

1 among the permittees to whom gross receipts or proceeds are due from that operator.

2 * Sec. 28. AS 05.15.188(h) is amended to read:

3 (h) If a permittee contracts with a vendor under (a) of this section, the contract
4 must provide that the permittee shall receive no less than the cost of purchasing the
5 game from a distributor and 25 [70] percent of the ideal gross [NET].

6 * Sec. 29. AS 05.15.188(i) is amended to read:

7 (i) An amount equal to the ideal gross [NET] less the compensation owed to the
8 vendor shall be paid by the vendor to the member-in-charge upon delivery of a pull-tab
9 series to the vendor for sale. The amount required to be paid by the vendor shall be paid
10 by check and the check may not be drawn in a manner that the payee is not identified.

11 * Sec. 30. AS 05.15.690(23) is amended to read:

12 (23) "ideal gross [NET]" means an amount equal to the total amount of
13 receipts that would be received if every individual pull-tab ticket in a series were sold
14 at face value [, LESS THE PRIZES TO BE AWARDED FOR THAT SERIES];

15 * Sec. 31. AS 05.15.128(b) and 05.15.184 are repealed.

16 * Sec. 32. By amending AS 05.15.150 in this Act, the legislature does not intend for that
17 amendment to override any amendments to that section that may be contained in other Acts
18 passed by the Nineteenth Alaska State Legislature in 1996.

Revision Date: March 8, 1996 Dept. Affected: Revenue
 Title: Charitable Gaming: Percentage to Charity BRU: Revenue Operations
 Component: Charitable Gaming Division
 Sponsor: (H) Fin
 Requestor: (H) Jud COMPONENT SERIAL NO. 1883

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	100.0					
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	100.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()	10,000.0					
------------------------	----------	--	--	--	--	--

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts	100.0					
1037 GF/Mental Health						
Other						
TOTAL	100.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY96) cost \$ _____

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

The Division is currently operating a wang mainframe system. In order to increase the effectiveness of how we collect monthly payments of taxes we need to increase the efficiency of the current system.

Prepared by: Dennis R. Poshard, Director *DRP* Phone: 465-2279
 Division: Charitable Gaming Division Date: 3-8-96
 Approved by Commissioner: Wilson L. Condon *WLC* Date: _____
 Agency: Department of Revenue

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FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. HB 536

Revision Date: _____
Title: "An Act Relating to charitable gaming."
Sponsor: House Finance Committee
Requestor: (H) JUD

Department Affected: Administration
BRU: Public Offices Commission
Component: Public Offices Commission
COMPONENT SERIAL NO. 70

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
OTHER						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY 96) cost: \$ 0.00

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary.)

There is no fiscal impact to the Alaska Public Offices Commission.

Prepared by: Karen Boorman Phone: 276-4176
Division: Public Offices Commission Date: _____

Approved by Commissioner: Mark Boyer Date: 3/7/96
Agency: Department of Administration

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Alaska Charitable Gaming

FY97 Budget

Alaska Department of Revenue

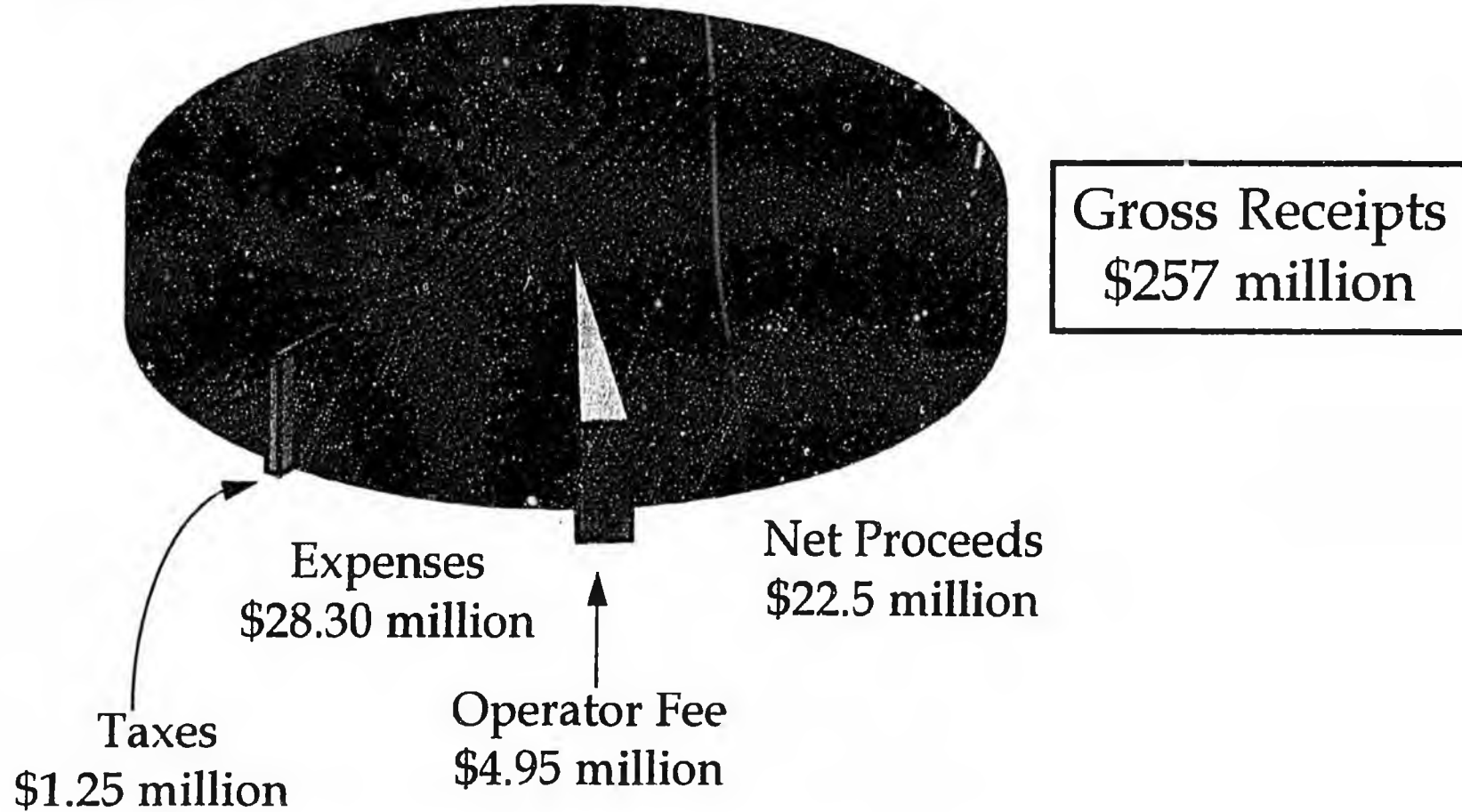
Charitable Gaming Division

This presentation was adapted from existing documentation
previously prepared for policy makers.



1994 Gross Receipts

Prizes \$200 million

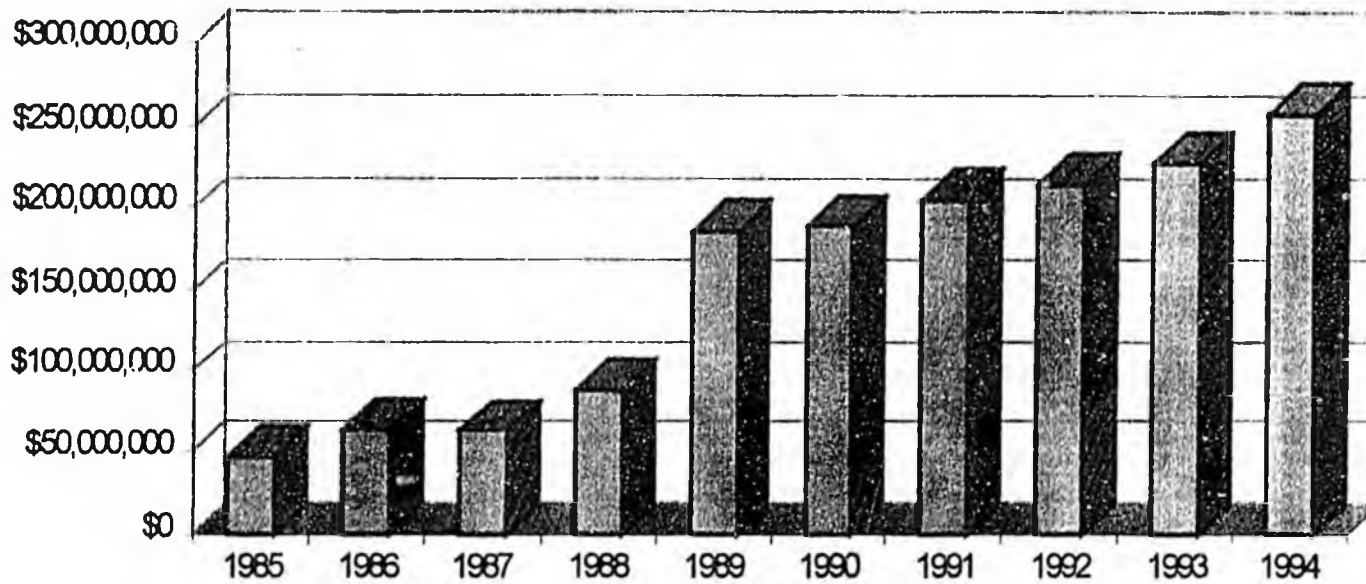


* All figures are as reported



Growth of Gaming in Alaska

1985-1994 Gross Receipts





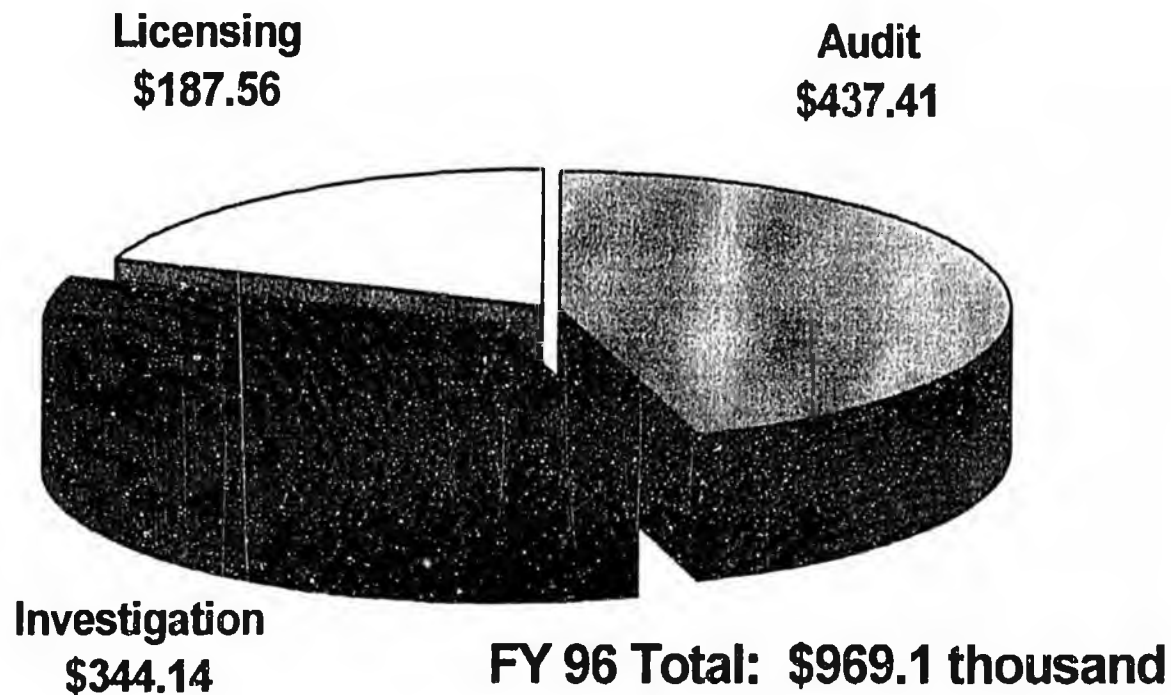
The Basics of the Charitable Gaming Business

The purpose of government's involvement in charitable gaming is to ensure the appropriate level of public benefit.

- **Public benefit consists of:**
 - Money to Charities
 - State Revenues

IIII

How Much does the State's involvement in Charitable Gaming Cost?





Licensing

1996 Permit Data

- 695 organizations were approved and entered into the system
- 2016 permits have been printed
- After the completed application is received & approved, it has taken an average of 14 calendar days to print and mail the permit

1995 Permit Data

- 28 operators were licensed
- 1052 qualified organizations permit applications were processed
- 3329 permits were printed or an average of 3.17 permits were issued per qualified organization



Auditing

<u>Activity</u>	<u>1994</u>	<u>1995</u>
Desk Audit Opened *	124	237
Desk Audits Closed	99	176
Field Audits Open **	4	3
Field Audits Closed	4	1
Audit Change Notices	101	119
Audit No Changes	2	58
Fees and taxes assessed	\$57,780	\$23,199

Money due to permittees (excluding interest) discovered through unit audits:

1994	\$699,000
1995	\$446,728

The ultimate receipt of these funds depends on the outcome of formal administrative hearings and/or litigation in superior court.

*Single Year, ** Consists of multiple years.



Investigations

<u>Activity</u>	<u>1994</u>	<u>1995</u>
Cases Opened	123	86
Cases Closed	158	83
Cases Pending	28	33
Notice of Violations	36	11
Advisory Notices	42	33
Revocations	3	1
Suspensions	1	3
Prosecutions	6	4
Convictions	6	4
Refer to Audit	4	4
Total:	123	98
Funds Discovered Missing:		
	\$470,000	\$325,200



State Revenue and Expenditures on Gaming

	<u>Revenue</u>	<u>Budget</u>
FY 1994	\$ 1.872	\$1.014
FY 1995	2.704	.959
FY 1996 Projected	2.413	.969
FY 1997 Projected	2.654	.910

* FY95 Revenue includes \$.510 in cruise ship gaming fees.

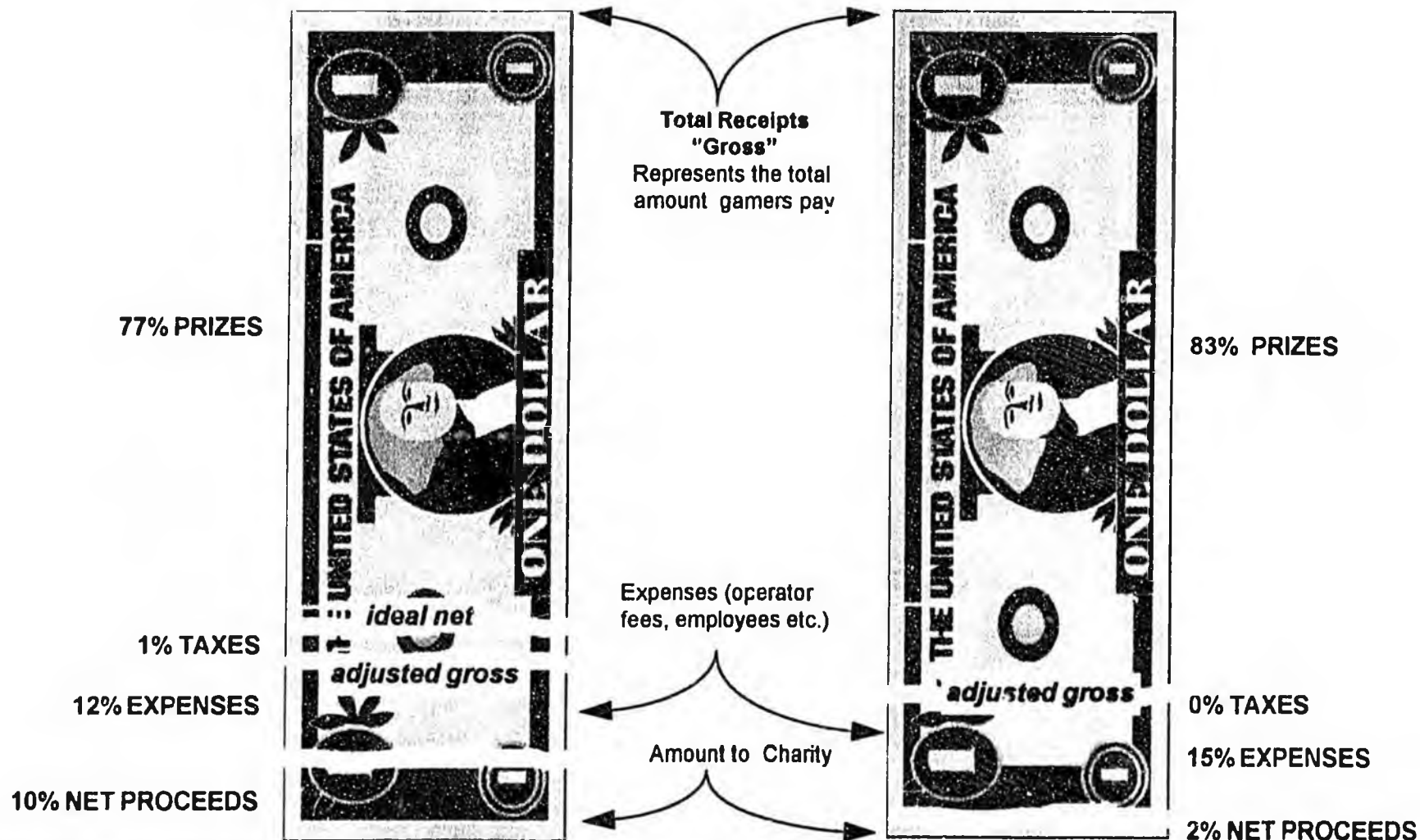
All figures are reported in millions



Alaska Gaming Dollars

Pull Tab Dollar

Bingo Dollar





The Jargon

Gross:

The dollar value of all amounts wagered on games of chance and skill. In many states and Canadian provinces the minimum amount going to charities and the government tax is calculated as a percentage of gross.

Ideal Net:

The money that would be left after every pull-tab in a series was sold at face value, and all prizes in that series were awarded. The state of Alaska calculates its 3% pull-tab tax on this amount.

Adjusted Gross:

Gross income less prizes awarded and state, federal, and municipal taxes. In Alaska, the minimum amount which must be paid to charities is a percentage of this amount.

Net Proceeds:

The gross receipts less prizes, taxes and authorized expenses. This is what the charities get.



How Alaska Ensures Public Benefit From Charitable Gaming

Money to Charities

- At least 30% of *adjusted gross income* on operator-run pull-tabs (about 10% of the total pull-tab gaming dollar)
- At least 10% of *adjusted gross income* on operator-run bingo and all other gaming activities (about 2% of the total bingo gaming dollar)
- All “profits” above statutory minimum

Tax Revenues for Government

- 3% of *ideal net* on pull-tabs (less than 1% of the total pull-tab dollar)
- 1% of *net proceeds* from all gaming activities (less than 0.1% of the total gaming dollar)
- Annual permit and license fees



“Policing Expenses” in Alaska and Elsewhere

Is Alaska’s “policing expenses program” the best approach?

- Alaska’s state regulation of charitable gaming is a “policing expenses program.”
 - Relatively “low” statutory floors.
 - Floors apply only to operator run games.
 - Program focused on policing books and records of individual gaming operations to assure that “profit” goes to charity and expenses are “reasonable.”



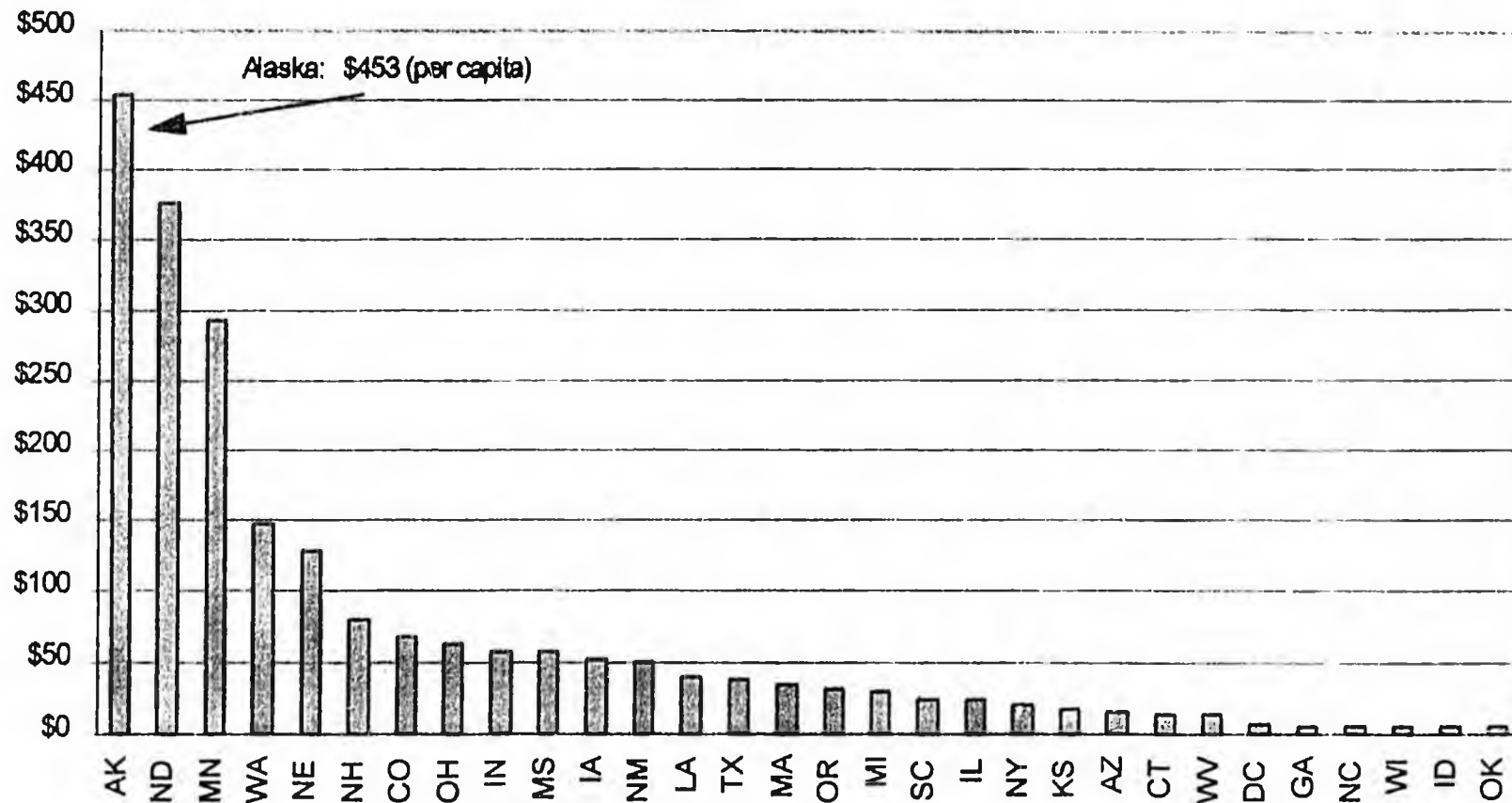
“Policing Expenses” in Alaska and Elsewhere

How some other States and Canadian provinces do it.

- Governments set much higher amount which must go to charities.
- Often a percentage of “gross” rather than “adjusted gross.”
- These governments don’t concern themselves with policing expenses to determine “profit” or “reasonableness.”



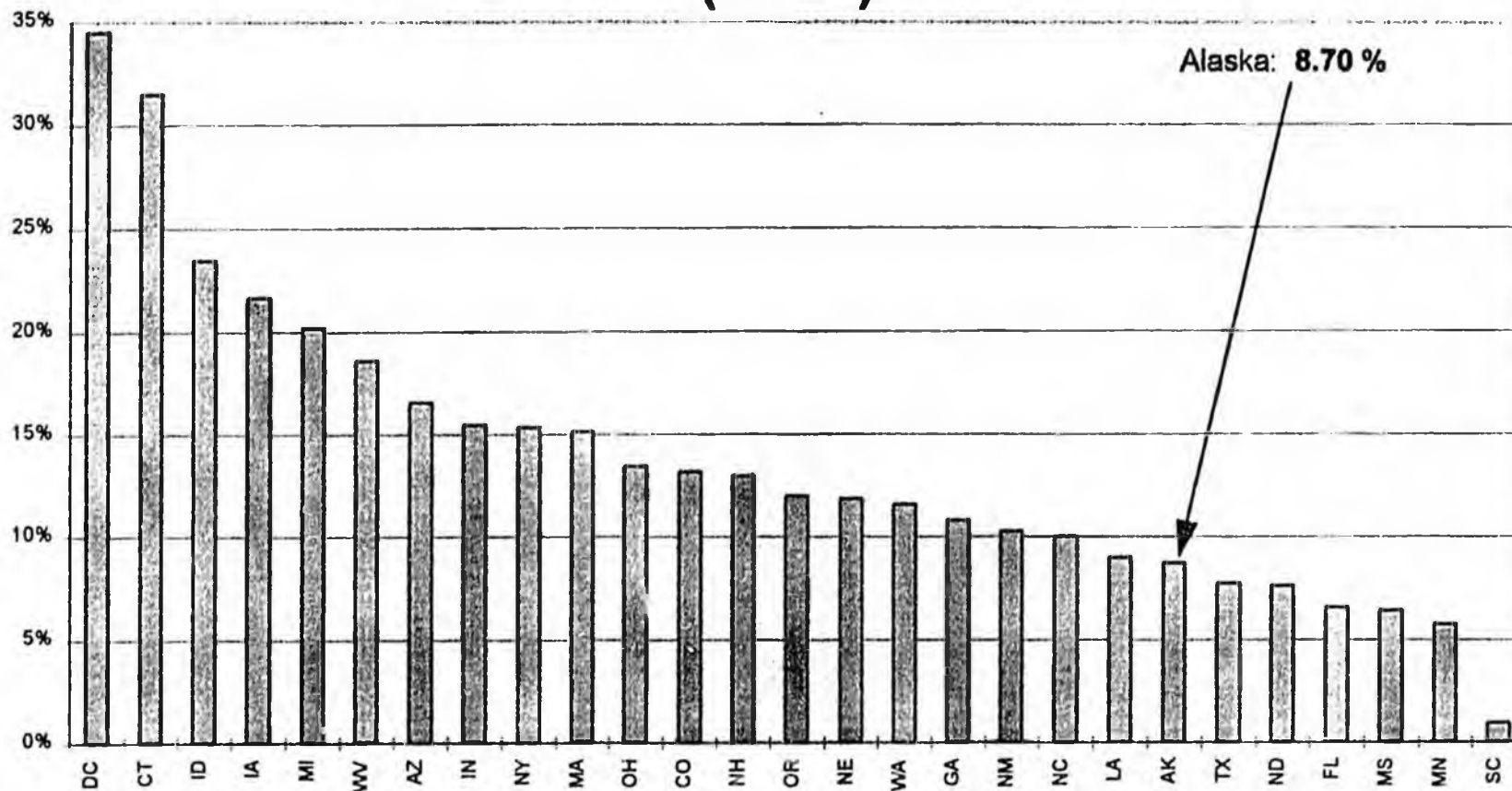
How Alaska Compares to Other States in Per Capita Gaming Activity (1994)



Per Capita Gross Sales of Bingo and Pull-Tabs
-- 1994 NAFTM report on Charity Gaming --



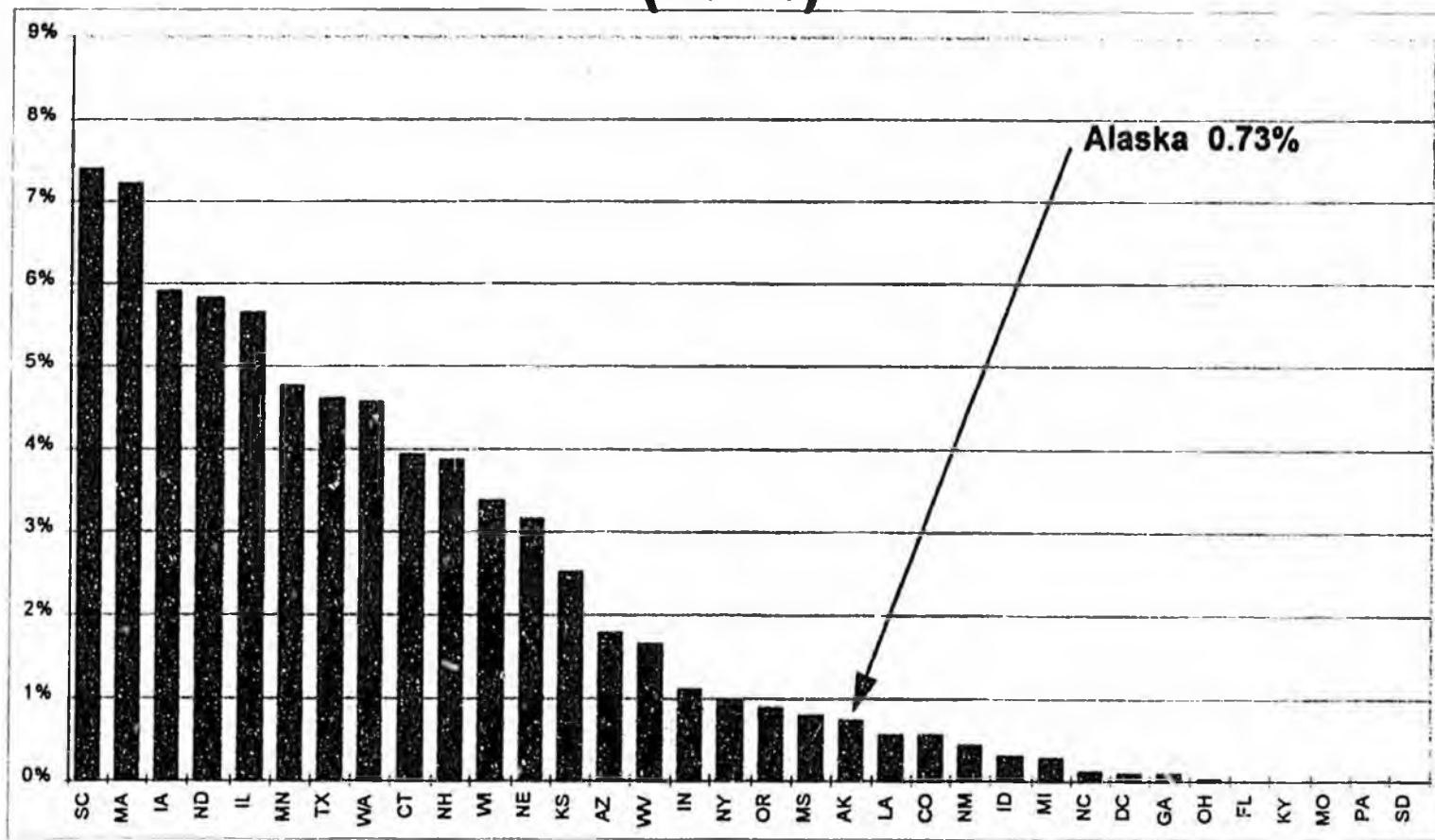
How Alaska Compares to Other States in Distributing Money to Charities (1994)



Net Proceeds as a percentage of total gross sales of bingo and pull-tabs
-- 1994 NAFTM report on Charity Gaming --



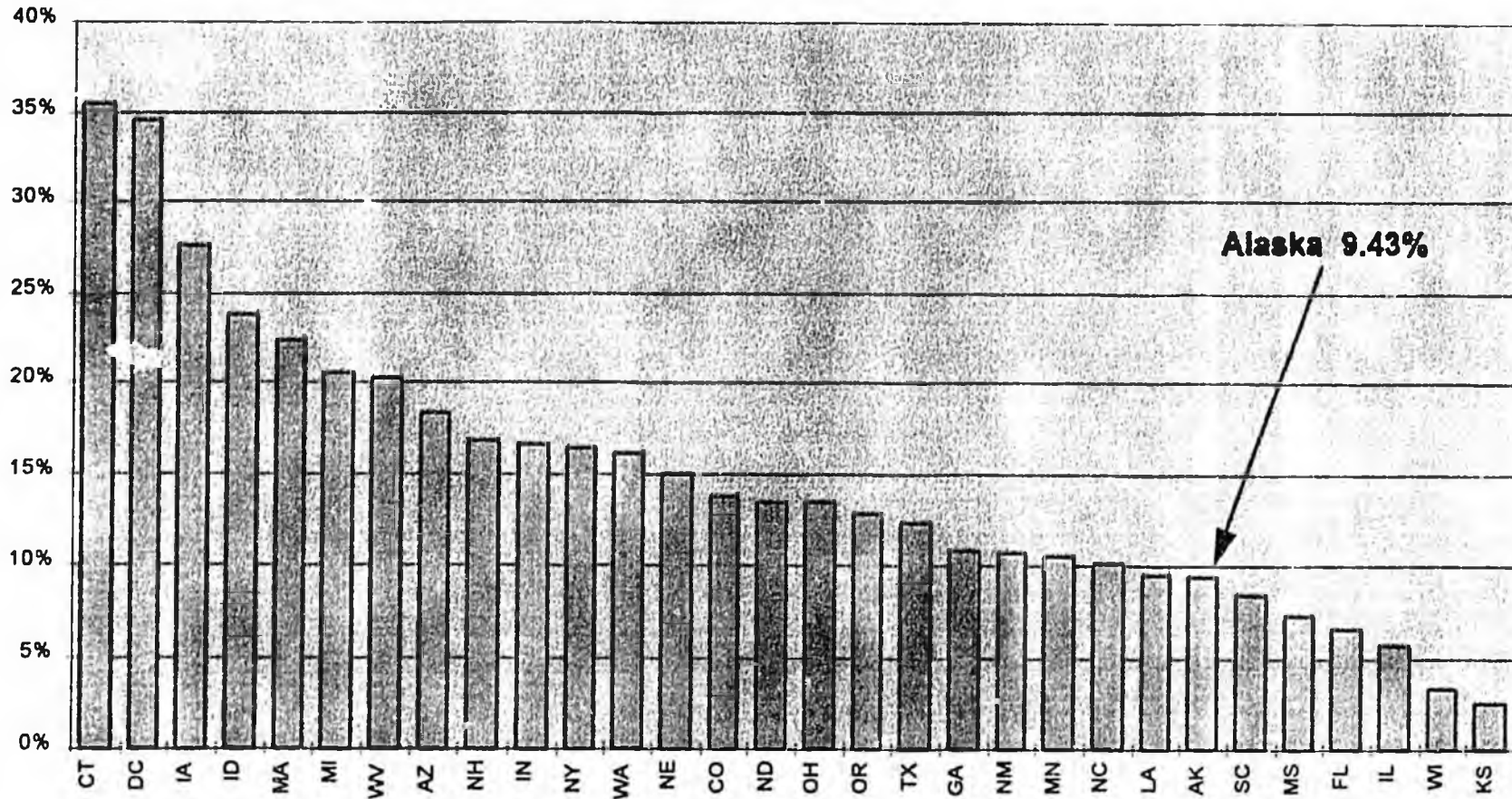
How Alaska Compares to Other States in Collecting State Revenue from Gaming (1994)



State Revenues as a percentage of total gross sales of bingo and pull-tabs
-- 1994 NAFTM report on Charity Gaming --



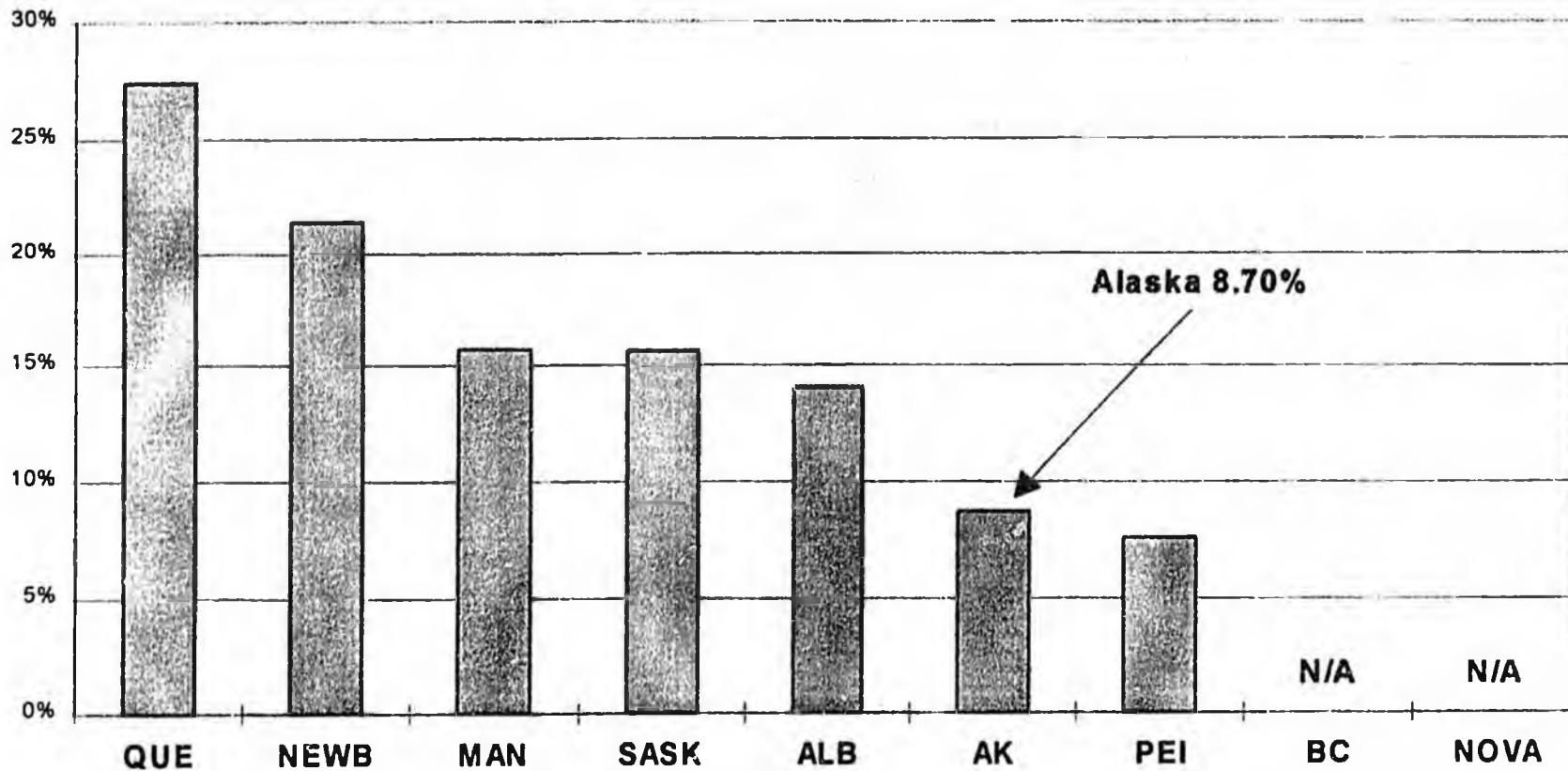
How Alaska Compares to Other States in Total Public Benefit (1994)



Total Public Benefit = Money to Charities + State Revenue;
-- 1994 NAFTM report on Charity Gaming --



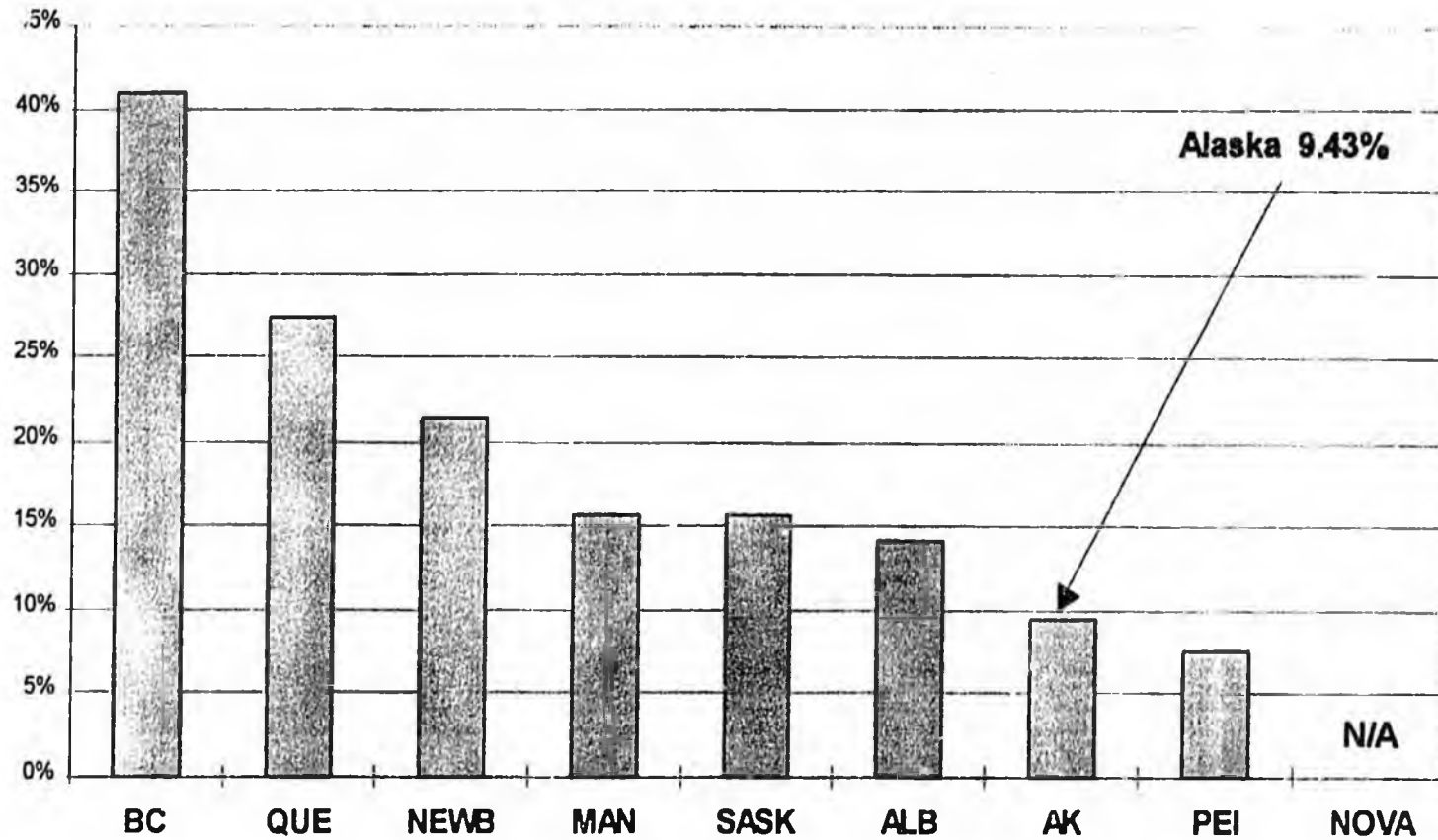
How Alaska Compares to the Canadian Provinces in Distributing Money to Charities (1994)



Net Proceeds as a percentage of total gross sales of bingo and pull-tabs
-- 1994 NAFTM report on Charity Gaming --



How Alaska Compares to the Canadian Provinces in Total Public Benefit (1994)



Total Public Benefit = Money to Charities + State Revenues
-- 1994 NAFTA report on Charity Gaming --

IIII

How Do Other Jurisdictions Establish Minimum Distributions to Charities

The following states and provinces compute minimum *net proceeds* as a percentage of *gross* (see page 11 if you forgot what *gross* is):

British Columbia
Newfoundland
Prince Edward Island

Connecticut
Nova Scotia
Saskatchewan

Georgia
Ontario
Washington

(See Appendix A for Rates)

The following states and provinces compute minimum *net proceeds* as a percentage of *adjusted gross* (see page 11 if you forgot what *adjusted gross* is):

Alaska

Idaho

(See Appendix B for Rates)

The following states and provinces compute minimum *net proceeds* by explicitly limiting expenses to a percentage of *gross* or *adjusted gross* (see page 11):

Northwest Territories
North Dakota

Iowa
Rhode Island

Minnesota
Delaware
Nebraska

(See Appendix C for Rates)

The following states and provinces have no established minimum net proceeds:

AL, ALBERTA, AZ, CA, CO, FL, IL, IN, KS, KY, LA, ME, MANITOBA, MO, MI, MS, MT, NH, NJ, NM, NY, NC, OK, OR, PA, SC, VT, D.C., WI, NY



How Do Other Jurisdictions Establish the Level of Government Revenues from Gaming

The following states and provinces compute state revenues as a percentage of *gross* (see page 11 if you forgot what "gross" is):

British Columbia	Connecticut	Georgia	Ontario
Colorado	Illinois	Indiana	South Carolina
Iowa	Minnesota	Nebraska	Missouri
Oklahoma	Wisconsin	Kansas	Arizona
Oregon			

(See Appendix D for Rates)

The following states and provinces compute state revenues as a percentage of *adjusted gross or ideal net* (see page 11 if you forgot what adjusted gross or ideal net is):

Alaska	North Dakota	Michigan	Connecticut
Missouri	Nebraska	Louisiana	

(See Appendix E for Rates)

The following states and provinces derive state revenues from license fees or head taxes:

Alaska	Indiana	Maine
New Hampshire	Ohio	Prince Edward Island
South Carolina		

(See Appendix F for Rates)

The following states and provinces derive no state revenues from charitable gaming:

AL, CA, FL, ID, MANITOBA, MS, MT, NJ, NC, NORTHWEST TERRITORIES, PA, RI, SASKATCHEWAN, VT, D.C., WY



Appendix A

States and Provinces that compute the minimum amount charities get (net proceeds) as a percentage of gross (total amount of gaming dollars.)

Ontario	30% of gross on all activities
Saskatchewan	20% of gross on all activities
Prince Edward Island	10% to 15% of gross of bingo and raffles
Newfoundland	15% and 22% of gross of bingo and pull-tabs, respectively
Nova Scotia	15% of gross of bingo
Connecticut	10% of gross of pull-tabs
Georgia	10% of gross of bingo
Washington	1% to 17% of gross, depending on activity type and scale
British Columbia	Bingo prize limit 58% of gross; expenses limited



Appendix B

States and Provinces that compute the minimum amount charities get (net proceeds) as a percentage of adjusted gross (total amount of gaming dollars less prizes and taxes.)

Alaska	30% of pull-tab AGI; 10% of non-pull-tab AGI
Idaho	20% of AGI of all activities



Appendix C

States and Provinces that ensure charities get a minimum level of net proceeds by limiting expenses.

Nebraska	Expenses limited to 8% of gross of all activities
Minnesota	Expenses limited to 50% of AGI
North Dakota	Expenses limited to 45% or 50% of AGI [depending upon activity variables]
Iowa	Expenses limited to 25% of AGI
Rhode Island	Expenses limited to 25% of bingo AGI
Northwest Territories	Expenses limited to 10% of AGI



Appendix D

States and Provinces that compute taxes as a percentage of gross (total gaming dollars).

State/Province	Rate of Taxation
Indiana	10% of gross of all activities
Oklahoma	10% gross of pull-tabs
Connecticut	10% of gross of pull-tabs. [State is sole source; game cost is included in tax.]
Nebraska	6% of gross of bingo ; 3% of gross of raffles
Illinois	5% of gross of all activities
South Carolina	5% sales tax on gross of bingo
Iowa	5% sales tax on gross of all activities
Georgia	4% of gross of bingo
Kansas	3% of gross of bingo
Minnesota	3% of gross of all activities
British Columbia	2% of gross of bingo and raffles. [Pull-tabs are run by the Province.]
Missouri	2% of gross of pull-tabs
Wisconsin	2% of gross of bingo
Arizona	1.5% of gross under \$300,000; 2% of gross over \$300,000.
Ontario	1% of gross of bingo
Oregon	.95% of gross of bingo and raffles
Colorado	.5% of gross of all activities