

**SB**

**273**

**SFIN**

**FILE**

**SENATE COMMITTEE REPORT**  
**First Committee of Referral**

DATE: 2/2/98

FURTHER:

870 2/26/98

Date of 5-Day Notice: 2/11/98  
(in accordance with Uniform Rule 23)

DATE TURNED  
IN TO OFFICE: 27 Feb 98

Finance Committee considered SENATE BILL NO. 273

**CHARITABLE GAMING**

and recommends:

- be replaced with \_\_\_\_\_ CS SB 273 (FIN.)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to the \_\_\_\_\_ Committee

- Senate Bill:**
- same title
  - new title
- House Bill:**
- same title
  - technical title
  - new: SCR# \_\_\_\_\_

| SIGNING <u>DO</u> PASS    | DP | OTHER RECOMMENDATIONS | NR | DNP | AM |
|---------------------------|----|-----------------------|----|-----|----|
|                           |    | <i>Hill El</i>        | ✓  |     |    |
|                           |    | <i>Bob P. ...</i>     | ✓  |     |    |
|                           |    | <i>John Ferguson</i>  | ✓  |     |    |
|                           |    | <i>George Duley</i>   | ✓  |     |    |
|                           |    | <i>France</i>         | ✓  |     |    |
| CHAIR: <i>[Signature]</i> | ✓  | CHAIR:                |    |     |    |

**NEW FISCAL NOTE(S):**

Department                      Date      Zero      Fiscal

| Department | Date   | Zero | Fiscal |
|------------|--------|------|--------|
| Revenue    | 2/2/98 | ✓    |        |
|            |        |      |        |
|            |        |      |        |
|            |        |      |        |
|            |        |      |        |

**PREVIOUS FISCAL NOTE(S):\***

Department                      Date      Zero      Fiscal

| Department | Date | Zero | Fiscal |
|------------|------|------|--------|
|            |      |      |        |
|            |      |      |        |
|            |      |      |        |
|            |      |      |        |
|            |      |      |        |

APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill

Revision Date: \_\_\_\_\_ Dept. Affected: Revenue  
 Title: Charitable Gaming BRU: Revenue Operations  
 Component: Income and Excise Audit  
 Sponsor: Senate Finance  
 Requestor: Senate Finance COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

| OPERATING EXPENDITURES | FY 99      | FY 00      | FY 01      | FY 02      | FY 03      | FY 04      |
|------------------------|------------|------------|------------|------------|------------|------------|
| PERSONAL SERVICES      |            |            |            |            |            |            |
| TRAVEL                 |            |            |            |            |            |            |
| CONTRACTUAL            |            |            |            |            |            |            |
| SUPPLIES               |            |            |            |            |            |            |
| EQUIPMENT              |            |            |            |            |            |            |
| LAND & STRUCTURES      |            |            |            |            |            |            |
| GRANTS, CLAIMS         |            |            |            |            |            |            |
| MISCELLANEOUS          |            |            |            |            |            |            |
| <b>TOTAL OPERATING</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> |
| CAPITAL EXPENDITURES   |            |            |            |            |            |            |
| CHANGE IN REVENUES ( ) | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        |

FUND SOURCE (Thousands of Dollars)

|                                |            |            |            |            |            |            |
|--------------------------------|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts          |            |            |            |            |            |            |
| 1003 GF Match                  |            |            |            |            |            |            |
| 1004 GF                        |            |            |            |            |            |            |
| 1001 CBRF                      |            |            |            |            |            |            |
| 1048 University of AK receipts |            |            |            |            |            |            |
| Other                          |            |            |            |            |            |            |
| <b>TOTAL</b>                   | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> |

Estimate of any current year cost \$ 0.0

POSITIONS:

|           |  |  |  |  |  |
|-----------|--|--|--|--|--|
| FULL-TIME |  |  |  |  |  |
| PART-TIME |  |  |  |  |  |
| TEMPORARY |  |  |  |  |  |

ANALYSIS: (Attach a separate page if necessary)

Operating Expenditures

The department does not anticipate an increase or decrease in operating expenditures as a result of this legislation. The changes are necessary to help the tax division cope with merging the gaming program into the division after the FY98 operating budget allocated to gaming was cut \$300,000 (33%) in FY98.

State Revenue

The department does not anticipate any change in state revenue as a result of this legislation.

Prepared by: Robert N. Bartholomew  
 Division: Income and Excise Audit  
 Approved by Commissioner: Wilson L. Condon *Ross L. Kuny*  
 Agency: Revenue

Phone: 465-4773  
 Date: February 27, 1998  
 Date: February 27, 1998

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

For further distribution information call the Governor's Legislative Office

Revision Date: \_\_\_\_\_ Dept. Affected: Revenue  
 Title: Charitable Gaming BRU: Revenue Operations  
 Component: Income and Excise Audit  
 Sponsor: Senate Finance  
 Requestor: Senate Finance COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

| OPERATING EXPENDITURES | FY 99 | FY 00 | FY 01 | FY 02 | FY 03 | FY 04 |
|------------------------|-------|-------|-------|-------|-------|-------|
| 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 ( ) | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |

FUND SOURCE (Thousands of Dollars)

|                                |     |     |     |     |     |     |
|--------------------------------|-----|-----|-----|-----|-----|-----|
| 1002 Federal Receipts          |     |     |     |     |     |     |
| 1003 GF Match                  |     |     |     |     |     |     |
| 1004 GF                        |     |     |     |     |     |     |
| 1001 CBRF                      |     |     |     |     |     |     |
| 1048 University of AK receipts |     |     |     |     |     |     |
| Other                          |     |     |     |     |     |     |
| TOTAL                          | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Estimate of any current year cost \$ 0.0

POSITIONS:

|           |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|
| FULL-TIME |  |  |  |  |  |  |
| PART-TIME |  |  |  |  |  |  |
| TEMPORARY |  |  |  |  |  |  |

ANALYSIS: (Attach a separate page if necessary)

See attached analysis.

Prepared by: Robert N. Bartholomew  
 Division: Income and Excise Audit  
 Approved by Commissioner: Wilson L. Condon  
 Agency: Revenue

Phone: 465-4773  
 Date: February 9, 1998  
 Date: February 9, 1998

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE  
 For further distribution information call the Governor's Legislative Office

### **Bill Analysis**

Section 1 – Changes AS 05.15.020 which determines the state fee paid by qualified organizations. The change is to base the fee on a percentage of gross gaming sales instead of a percentage of net proceeds. The objective is to have the same amount paid to the state but simplify the calculation.

Section 2 – Amends AS 05.15.060(a), the Department's authority to issue regulations to comply with the changes is SB 273.

Section 3 – Adds gaming managers to the persons subject to DOR examination of gaming records. See section 10.

Section 4 – Requires municipalities to provide DOR with sales tax information related to charitable gaming activities.

Section 5 and 6 – Changes the terminology used to identify the amount of gaming money paid to qualified organizations from net proceeds to charitable share. Requires quarterly reports to include information on each gaming activity detailed by month.

Section 7 – Requires operators to provide permittees with copies of reports required to be filed with the state.

Section 8 – Requires operators to pay the "charitable share" on a monthly basis.

Section 9 - Adds gaming managers to the persons who if convicted of certain felonies can not be involved in certain gaming activities.

Section 10 – Explains the procedure of certifying a gaming manager. Certification would effect MBP and self-directed operations.

Section 11 – Act's language that prohibits a charity from paying any of the expenses, directly or indirectly, of an operator.

Section 12 – Deletes requirement that department approve or disapprove operator contracts.

Section 13 – Establishes a minimum one month period that an operator must play each permit that he has contracted for.

Section 14 – Establishes the minimum percentage of gross gaming proceeds that must be paid out as charitable share to qualified organizations. Bingo is 1.5%, pull-tabs is 7% and 10% for all other activities.

Section 15 – Requires multiple-beneficiary permittees (MBP) to comply with the reporting and payment requirements placed on operators (see sections 5 and 8 above).

Section 16 - Provides for revoking the MBP permit if the percentages in section 14 above, are not met.

Section 17 - Changes the terminology used to identify the amount of gaming money paid to qualified organizations from net proceeds to charitable share.

Section 18 - Allows dog musher association to use charitable share realized in one year as contest prizes in the next.

Section 19 - Provides for revoking a permit if the minimum charitable share for municipalities and other qualified organizations is not met on an annual basis. See section 14 above.

Section 20 & 21 - Changes the terminology used to identify the amount of gaming money paid to qualified organizations from net proceeds to charitable share.

Section 22 - Adds authority for operators and holders of MBPs to account for gross receipts, prizes, door prizes via a method called "pooling".

Section 23 & 24 - Same as section 20 above.

Section 25 - Adds gaming manager certificate to the items DOR may suspend or revoke for non compliance. Establishes timeframes for which a certificate and MBP can not be issued after revocation.

Section 26 - Limitations on dollar volume of authorized gaming activity, for other than bingo, will be based on gross receipts rather than prizes paid.

Section 27 - Changes basis for payment to a permittee from a vendor to percentage of gross rather than ideal net.

Section 28 - Describes the payment process for vendors.

Section 29 - Adds gaming manager certificate to the items DOR may suspend or revoke for non compliance.

Section 30, 31 & 32 - Adds new definitions for gross receipts, ideal gross, charitable share and gaming manager.

Section 33 - Repeals 5 portions of gaming statutes that are no longer necessary.

Section 34 - Authorizes DOR to proceed with development of regulations prior to the effective date of the bill.

Section 35 & 36 - Establishes effective dates.

Charitable Gaming  
SB 273  
February 9, 1998  
Page 4

**Operating Expenditures**

The department does not anticipate an increase or decrease in operating expenditures as a result of this legislation. The changes are necessary to help the tax division cope with merging the gaming program into the division after the FY 98 operating budget allocated to gaming was cut \$300,000 (33%) in FY98.

**State Revenue**

The department does not anticipate any change in state revenue as a result of this legislation.

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR SHARP BY REQUEST

TO: SB 273

SENATE FINANCE  
COMMITTEE

Amendment Number: 1

Bill Number: SB 273

Sponsor: Sharp Date: 2/12/98

Logged In By: J. Saltano

1 Page 4, lines 29 - 30:

2 Delete "on a monthly basis."

3 Page 5, lines 24 - 25:

4 Delete "the charitable share due to an authorizing permittee by the 15th day of the  
5 month following the month"

6 Insert "at least the minimum charitable shares described in AS 05.15.128' due to an  
7 authorizing permittee by the 15th day of the month following the quarter"

(a)  
calendar

SENATE FINANCE  
COMMITTEE

Amendment Number: 2 0-LS0859\R.3  
Bill Number: SB 273 Luckhaupt  
Sponsor: Sharp Date: 2/18/98 2/17/98  
Logged In By: J. Scattone

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR SHARP BY REQUEST

TO: SB 273

1 Page 7, lines 11 - 16:

2 Delete "void, and may suspend or revoke the license of the operator and the  
3 permit of the permittee. Any changes to a contract must be submitted to the  
4 department for review under this section [. IF THE CONTRACT IS DISAPPROVED,  
5 REASONS FOR THE DISAPPROVAL SHALL BE PROVIDED IN WRITING TO THE  
6 PERMITTEE. ACTIVITIES MAY NOT BE CONDUCTED UNDER THE CONTRACT  
7 BEFORE"

8 Insert "void. Any changes to a contract must be submitted to the department for  
9 review under this section. If the contract is declared void, the [DISAPPROVED,] reasons  
10 [FOR THE DISAPPROVAL] shall be provided in writing to the permittee. Activities may  
11 not be conducted under a [THE] contract declared void [BEFORE"

SENATE FINANCE  
COMMITTEE

Amendment Number: 3

0-LS0859\R.4

Bill Number: SB 273

Luckhaupt

Sponsor: Sharp Date: 2/12/98

2/16/98

Logged In By: Asitani

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR SHARP BY REQUEST

TO: SB 273

- 1 Page 7, lines 19 - 22:
- 2 Delete all material.
  
- 3 Renumber the following bill sections accordingly.
  
- 4 Page 14, line 20:
- 5 Delete "sec. 35"
- 6 Insert "sec. 34"
  
- 7 Page 14, line 23:
- 8 Delete "sec. 34"
- 9 Insert "sec. 33"
  
- 10 Page 14, line 24:
- 11 Delete "Section 34"
- 12 Insert "Section 33"

SENATE FINANCE  
COMMITTEE

Amendment Number: 4      S0859\R.5  
Bill Number: SB 273      Luckhaupt  
Sponsor: Sharp      Date: 2/16/98  
Logged In By: Galton      2/16/98

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR SHARP BY REQUEST

TO: SB 273

- 1 Page 9, line 18:
- 2        Delete "one year"
- 3        Insert "two years [ONE YEAR]"
  
- 4 Page 9, line 20:
- 5        Delete "one year"
- 6        Insert "two years [ONE YEAR]"

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR SHARP BY REQUEST

TO: SB 273

1 Page 8, line 7:

2 Delete "a new subsection"

3 Insert "new subsections"

4 Page 8, following line 14:

5 Insert a new subsection to read:

6 "(f) A multiple-beneficiary permittee

7 (1) shall pay the charitable share due to the holders of the multiple-  
8 beneficiary permit by check;

9 (2) shall post a copy of the multiple-beneficiary permit in a public  
10 place on the premises where the activities are conducted;

11 (3) shall have its financial records reviewed annually by a certified  
12 public accountant; the multiple-beneficiary permittee shall submit the results of the  
13 review to the department by February 28 of the year following the year for which the  
14 review is conducted; and

15 (4) may not

16 (A) charge losses resulting from bad checks or uncollectible  
17 debts against the charitable shares due to the holders of the multiple-  
18 beneficiary permit;

19 (B) extend credit to players;

20 (C) employ house players;

21 (D) allow the permittee's employees to play a game conducted  
22 by the permittee."

SENATE FINANCE  
COMMITTEE

0-LS0859\R.7 ✓

Amendment Number: 6 Luckhaupt

Bill Number: SB 273 2/16/98

Sponsor: Sharp Date: 2/18/98

Logged In By: Scitani

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR SHARP BY REQUEST

TO: SB 273

1 Page 12, line 21:

2 Delete "two years"

3 Insert "one year"

4 Page 12, line 23:

5 Delete "two-year"

6 Insert "one-year"

SENATE FINANCE  
COMMITTEE

0-LS0859AR.8

Amendment Number: 7

Luckhaupt

Bill Number: SB 273

2/16/98

Sponsor: Sharp Date: 2/18/98

A M E N D M E N T Proposed by: goltari

OFFERED IN THE SENATE

BY SENATOR SHARP BY REQUEST

TO: SB 273

- 1 Page 12, line 30:
- 2 Delete "\$1,200,000"
- 3 Insert "\$1,300,000"
  
- 4 Page 13, line 9:
- 5 Delete "\$1,200,000"
- 6 Insert "\$1,300,000"
  
- 7 Page 13, line 1:
- 8 Delete "\$600,000"
- 9 Insert "\$650,000"

SENATE FINANCE  
COMMITTEE

Amendment Number: 8

Bill Number: SR 273

Sp. No.: Sharp Date: 2/20/98

Logged In By: Mindy

0-LS0859\R.11

Luckhaupt

2/20/98

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR SHARP BY REQUEST

TO: SB 273

1 Page 2, lines 4 - 8:

2 Delete all material and insert:

3 **\*\* Section 1.** AS 05.15.020(b) is amended to read:

4 (b) A gaming [AN ADDITIONAL] fee of one percent of the charitable  
5 share [NET PROCEEDS] received during the preceding year from the activities  
6 authorized under the permit shall be paid to the department annually by the  
7 municipality or qualified organization authorized to conduct activities under this  
8 chapter [,] if the gross receipts for the activities were \$20,000 or more."

9 Page 4, line 22:

10 Delete "additional!"

11 Insert "gaming [ADDITIONAL]"

SENATE FINANCE  
COMMITTEE

Amendment Number: 9

0-LS0859R.10

Bill Number: SB 273

Luckhaupt

Sponsor: Sharp Date: 2/20/98

2/19/98

Logged In By: Mindy

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR SHARP BY REQUEST

TO: SB 273

- 1 Page 14, line 1, following "sales":
- 2 Insert "and federal excise"

A M E N D M E N T

OFFERED IN THE SENATE  
TO: SB 273

BY SENATOR SHARP BY REQUEST

1 Page 6, following line 23:

2 Insert a new subsection to read:

3 "(c) A gaming manager is accountable to the permittee or the holders of a  
4 multiple-beneficiary permit for the legal conduct of gaming activities, the accurate  
5 accounting of the total amount of gross receipts and the total value of prizes awarded,  
6 and the accurate reporting and timely remittance of the charitable share due."

7 Page 7, following line 30:

8 Insert a new bill section to read:

9 **\*\* Sec. 15.** AS 05.15.145(a) is amended to read:

10 (a) Two to six municipalities or qualified organizations, or a combination of  
11 two to six municipalities and qualified organizations, may jointly apply for a multiple-  
12 beneficiary permit under AS 05.15.100(d). The commissioner may not issue or renew  
13 a permit except upon satisfactory proof that (1) each joint applicant is a municipality  
14 or qualified organization, (2) the activity may be permitted under this chapter, (3) the  
15 multiple-beneficiary permittee has a gaming manager certified by the department  
16 under AS 05.15.114, and (4) the issuance of a permit is not detrimental to the best  
17 interests of the public. Upon request of the commissioner, the joint applicants shall  
18 prove conclusively each of these requirements before a permit may be issued or  
19 renewed."

20 Renumber the following bill sections accordingly.

21 Page 14, line 14:

22 Delete "an"

- 1           Insert "the principal"
  
- 2   Page 14, line 20:
- 3           Delete "sec. 35"
- 4           Insert "sec. 36"
  
- 5   Page 14, line 23:
- 6           Delete "sec. 34"
- 7           Insert "sec. 35"
  
- 8   Page 14, line 24:
- 9           Delete "Section 34"
- 10          Insert "Section 35"

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR SHARP BY REQUEST

TO: SB 273

1 Page 1, line 2, following "activities;":

2 Insert "making records received by the department under AS 05.15 subject to the  
3 laws relating to public records, and providing that the Department of Revenue does not  
4 have to make those records available to the public until 90 days following the receipt  
5 of the records;"

6 Page 3, following line 23:

7 Insert a new bill section to read:

8 "\* Sec. 3. AS 05.15.060 is amended by adding a new subsection to read:

9 (c) Records received under this chapter are subject to AS 09.25.110 -  
10 09.25.220. Notwithstanding AS 09.25.100 - 09.25.220, the department does not have  
11 to make available to the public records received under this chapter until 90 days after  
12 the record is received by the department. The department shall release the records to  
13 the public after 90 days."

14 Renumber the following bill sections accordingly.

15 Page 14, line 20:

16 Delete "sec. 35"

17 Insert "sec. 36"

18 Page 14, line 23:

19 Delete "sec. 34"

20 Insert "sec. 35"

- 1 Page 14, line 24:
- 2 Delete "Section 34"
- 3 Insert "Section 35"