

**SB**

**1999**

**ALASKA DEPARTMENT OF REVENUE**  
**Income and Excise Audit Division**

SB 199 – Charitable Gaming  
Version – O-LS1010A  
February 2, 1998  
Page 2 of 4

Overview and Fiscal Analysis – SB 199 Charitable Gaming and Gaming on State Ferries.

**1) New Type of Gaming Allowed** - SB 199 would expand the charitable gaming options available under AS 05.15. The most significant change would be authorization of "video lottery machines" (VLM). VLM means an electronic video game machine operated with coins or cash to play poker, keno, or blackjack. A VLM must have accounting software that keeps track of total money played, value of winning tickets, and lottery credits allowed. VLM would not directly pay off winners but would print a winning ticket stating the value of the prize.

**2) Who is Authorized to Obtain VLM** – Any qualified organization that is currently eligible for other charitable gaming could apply for a video lottery endorsement. DOR would review applications and issue the endorsement.

**3) Where VLM Can be Played** – VLM's would be allowed:

- a) in all "vendor" locations where pull-tabs are currently allowed. Vendor location means a business that has a beverage dispensary license and has been contracted to conduct VLMs' by a qualified permittee.
- b) In Clubs, where permittees have a "club license" under AS 04.11.110 (club, fraternal organization, patriotic organization, or social organization that has state or national charter).
- c) on Alaska Marine Highway Vessels.
- d) In any location where access is restricted to persons 21 years of age or older in a municipality where sale of alcoholic beverages has been prohibited, the department could issue an endorsement that authorizes VLM use in a manner consistent with (a) above.

Note: VLM could not be played in locations currently run by operators or self-directed gaming operations.

**4) Permittee Limitations for Number of VLMs and Gross Gaming Sales** - A permittee may contract with up to 5 video lottery vendors and have up to 10 VLMs. Thus each permittee could be authorized to have 50 machines in play. There is a \$2 maximum limit on the amount of a single play. There would be no limit on the dollar value of gross VLM gaming sales a permittee could have in a year.

**5) Prize Limitations** - On a single play the minimum play is \$.25 (cents) and the maximum prize is \$125. On a single play the maximum play is \$2 and the maximum prize is \$1,000. This bill exempts VLM from the \$1 million prize limitation and would provide an advantage over pull-tabs.

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**6) Allocation of Net Gaming Income** – Net income from VLM gaming means total money put into a machine minus credits (prizes) paid out. When a permittee contracts with a vendor the allocation of net income would be a) 30% to the vendor, b) 30 % to the permittee, c) 15% to the state and d) 25% to the municipality where the VLM is located. When the VLM gaming is conducted by a “club” the permittee gets 60% of net income.

**7) Costs of Licenses, Endorsements and Fees –**

- a) VLM manufacturer - \$5,000.
- b) VLM distributor - \$5,000.
- c) Vendor location - \$100.
- d) VLM - \$100

**8) Gaming Revenue Analysis** – No specific study or analysis has been completed to estimate the dollar amount of gaming or net income that would result from authorizing VLMs in Alaska. Several issues need to be addressed. For example: 1) what would be the effect on the existing pull-tab sales, 2) how much new money would be spent on charitable gaming.

The proposed legislation would significantly increase the state share of net income from a gaming activity. For vendor and club operations the state share could increase to 15% of net income, as compared to less than 1% currently received on pull-tabs.

Municipal governments would go from receiving no gaming revenues (except jurisdictions that currently charge sales tax on charitable gaming) to receiving 25% of net income. The share of charitable gaming going to vendors would remain approximately the same.

The effect on gaming revenues going to exempt organizations, from vendor activity, would very much depend on the level of gaming activity. If there were no new gaming dollars being spent but there were a transfer from existing pull-tab activity the share to organizations would decline from approximately 70% to 30% of net gaming income. Thus, unless there were significant new gaming dollars being spent the exempt organizations would receive less money.

**9) State Expenditure Analysis** – The proposed legislation directs the department to the extent practicable to contract out the administration and monitoring of video lottery

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charitable gaming. This is to be done to the extent contracting will not jeopardize the integrity of gaming and enforcement of laws. The following discussion of costs would be

**9) State Expenditure Analysis, continued**

approximately the same whether handled by the state or contracted. The difference is whether the amount would be included on the personal services or contractual line.

Video gaming would add a new gaming activity at a time when the resources available to gaming have been reduced by 33%. Based on administration costs of current gaming activities, 2.5 permanent full time positions would be required to; a) issue licenses and endorsements, b) process and analyze tax returns and reports, c) develop internal controls and monitor gaming activity and d) respond to questions from permittees, local governments and the public. Positions would approximate ranges 8, 12 and 14, with a personal service cost of \$94,000. Increased resources would be needed for auditing, enforcement and administrative appeals. Initially this would require the equivalent of 1.5 positions, with a cost of \$95,000. These cost estimates are based on the assumption that video gaming would be popular and there would be a significant increase in gaming activity. Until further information and analysis can be completed no specific cost to administer video gaming will be estimated.

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

130 Seward Street, Suite 409  
Juneau, Alaska 99801-2105

## MEMORANDUM

February 2, 1998

**SUBJECT:** Sectional Summary - SB 199  
Charitable Gaming and State Ferries (Work Order No. 20-LS1010\A)

**TO:** Senator Robin Taylor  
Attn: Joe Ambrose

**FROM:** Gerald P. Luckhaupt *JER*  
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 makes changes in the regulation authority of the Department of Revenue to account for the creation of video lottery vendors.

Section 2 expands the department's authority to examine books to account for the creation of video lotteries.

Section 3 adds video lottery machines in regard to the department's functions under this section.

Section 4 authorizes the department to issue video lottery permits to permittees.

Section 5 expands the reach of this section to account for the addition of video lotteries.

Section 6 provides that permittees make not contract with operators to conduct video lotteries.

Section 7 allows municipal prohibition of video lotteries.

Section 8 makes a change to account for the addition of video lotteries.

Section 9 eliminates political uses as a charitable use of gaming proceeds and makes a video lottery conforming amendment.

Section 10 adds video lotteries to this section.

Section 11 makes a conforming change due to the addition of video lottery gaming.

Section 12 makes a conforming change for the addition of video lottery machines.

Section 13 adds video lotteries to the list of authorized activities under this section.

Section 14 excludes video lotteries from the \$1,000,000 prize limitation of this section.

Sections 15, 16, 17, and 18 make technical changes to account for the creation of video lottery vendors.

Section 19 adds sections authorizing and providing for video lotteries.

Section 20 adds video lotteries in this local option provision.

Section 21 creates a new subsection for video lotteries in this provision relating to local option elections.

Section 22 provides a technical amendment for the change made in sec. 16 and to account for the creation of video lotteries.

Section 23 provides new criminal penalties relating to the use and misuse of video lottery machines.

Section 24 eliminates political and labor organizations from the list of qualified organizations eligible to perform charitable gaming.

Section 25 amends the definition of vendor necessitated by the substitution of video lotteries for pull-tab games.

Section 26 provides definitions.

Section 27 modifies the definition of gambling under the criminal code to allow for video lotteries on state ferries.

Section 28 modifies the definition of gambling device under the criminal code.

Section 29 provides that a vessel of the Alaska Marine Highway System conducting video lottery gaming is not a gambling enterprise.

Section 30 authorizes the Alaska Marine Highway System to operate video lottery machines on board its vessels.

Senator Robin Taylor  
February 2, 1998  
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Sections 31 and 32 provide technical amendments to ch.13, SLA 1995.

Section 33 provides repealers.

Section 34 authorizes the Department of Revenue to begin adopting regulations before the effective date of the rest of the bill.

Sections 35 and 36 provide effective dates.

GPL:pl  
98-020.plm

# Alaska State Legislature

*Chairman,*  
Judiciary Committee

*Member,*  
Resources Committee  
Rules Committee  
Committee on Committees



State Capitol  
Juneau, Alaska 99801-1182  
(907) 465-3873  
Fax: (907) 465-3922

352 Front Street  
Ketchikan, Alaska 99901  
(907) 225-8088  
Fax: (907) 225-0713

*Senator Robin L. Taylor*  
*Senate Majority Leader*

## SPONSOR STATEMENT

### SENATE BILL 199

Senate Bill 199 was introduced as a means of making charitable gaming more accountable.

SB 199 would authorize the use of electronic video gaming machines capable of being linked to a central computer system. The use of these machines will greatly increase our ability to account for the millions of dollars spent annually on charitable gaming in Alaska.

One of the major concerns expressed over the use of pull tabs is the lack of accountability and the susceptibility to theft, fraud and other criminal activity. Many charities appear to be receiving less than their fair share of the proceeds.

SB 199 also directs that proceeds from video machines will be distributed differently than those from pull tabs. It gives 30 percent to the permittee or charity; 30 percent to the vendor; 15 percent to the state and 25 percent to the municipality where the machine is located. If the machine is located in the Unorganized Borough, outside a municipality, that share would go to the state.

District A:

Hyder • Ketchikan • Kupreanof • Meyers Chuck • Petersburg • Saxman • Sitka • Wrangell

**Sponsor Statement - SB 199**

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If the Alaska Marine Highway System so desires, SB 199 contains a provision allowing AMHS to be licensed to operate video gaming on the state ferries.

It is the sponsor's conviction that as Alaska's charities become familiar with video gaming and its accountability, they will gradually phase out the less accountable pull tabs in favor of this new technology.

**SENATE COMMITTEE REPORT  
First Committee of Referral**

DATE: 5/8/97

FURTHER: Finance

Date of 5-Day Notice: 1/29/98  
(in accordance with Uniform Rule 23)

DATE TURNED  
IN TO OFFICE: 2-4-98

Judiciary Committee considered

SENATE BILL NO. 199

"An Act relating to charitable gaming and to gaming on state ferries; and providing for an effective date."

and recommends:

- be replaced with CS FOR SB 199 ( JUD )
- 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 DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
		<i>Phillips</i>	X		
		<i>Sam Parrish</i>	X		
		<i>Mike Miller</i>	X		
		<i>Greene</i>	✓		
CHAIR: <i>Chris Taylor</i>	✓	CHAIR:			

**NEW FISCAL NOTE(S):**

Department                      Date      Zero      Fiscal

B&CS

Department	Date	Zero	Fiscal
<i>REVENUE</i>	<i>2298</i>		<i>**</i>

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

Department                      Date      Zero      Fiscal

Department	Date	Zero	Fiscal

APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill

STATE OF ALASKA  
1998 LEGISLATIVE SESSION

FISCAL NOTE

N 1  
Bill Version: CSSB 199 (JUD)  
(S) Publish Date: 2-5-98

Revision Date: \_\_\_\_\_ Dept. Affected: Revenue  
Title: Charitable Gaming and Gaming on State Ferries BRU: Revenue Operations  
Component: Income and Excise Audit  
Sponsor: Senate Judiciary  
Requestor: (S) JUD COMPONENT SERIAL NO. 112

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	**	**	**	**	**	**
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ( )	***	***	***	***	***	***

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 \$ \_\_\_\_\_

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

See attached analysis for details and explanation.

\*\* See the attached analysis, item # 9, the department has prepared a short analysis of the issues and approximate dollar amounts involved. Additional information and discussion with the sponsor is needed prior to recommending a specific dollar amount.

\*\*\* See the attached analysis, item # 8, the department has prepared a short analysis of the issues and approximate dollar amounts involved. Additional information and discussion with the sponsor is needed prior to recommending a specific dollar amount.

Prepared by: Robert N. Bartolomeo, Deputy Director  
Division: Income and Excise Audit  
Approved by Commissioner: Wilson L. Condon  
Agency: Revenue

Phone: 465-4773  
Date: February 2, 1998  
Date: February 2, 1998

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