

**SB**

**273**

AMENDMENT

OFFERED IN THE SENATE

TO: CSSB 273(FIN)

- 1 Page 2, line 2:
- 2 Delete "and relating to the duties of a gaming manager"
  
- 3 Page 7, lines 9 - 12:
- 4 Delete all material.

(NOT CONSIDERED OR  
HEARD BY COMMITTEE)



Official Business

# Alaska State Senate

## Senate Finance Committee

Mail Stop 3100  
State Capitol  
Juneau, Alaska 99801-1182

### SENATE FINANCE COMMITTEE **CS SB 273 (FIN) SPONSOR STATEMENT**

February 26, 1998

This legislation will ensure that out of every dollar wagered, a certain minimum portion will ultimately be dedicated to charitable purposes. It will also substantially simplify the required accounting for the Department of Revenue, charities and the operators of charities' permits and improve the Department's ability to enforce compliance with the State's charitable gaming laws. Finally, this legislation is intended to maintain the status quo with respect to the relative amounts 1) available for gaming operations, 2) collected in state fees, and 3) returned to the charities for charitable uses.

Current Alaska law bases the amount that a charity or a charity's licensed operator must generate for charitable purposes on net gaming proceeds. The law describes what a charity or an operator can and cannot claim as an allowable operating expense when determining net proceeds, which can impact otherwise sound business decisions. In addition, this requires the charities, their operators and the state to all generate, review and often audit a substantial amount of accounting data. This is time consuming and can be expensive for everyone.

This legislation would base the amount required to be dedicated for charitable purposes on gross gaming receipts. This would substantially simplify reporting and eliminate the need to audit allowable expenses. In addition, a new requirement that gaming managers for multiple-beneficiary permit holders and self directed charities be certified by the Department would provide the Department with a way to enforce compliance with the statutes without punishing those charities and managers who currently operate within the law.

The Department of Revenue strongly supports this legislation. It will simplify and improve program oversight and enforcement, reducing the cost of processing gaming reports. It will enable the Department to expend more of its recently streamlined gaming oversight efforts on auditing and enforcement.

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- Sec. 1:* Amends AS 05.15.020(b) designating the existing state fee as the "gaming fee" and substituting "charitable share" for "net proceeds".
- Sec. 2:* Amends AS 05.15.060(a), the Department's authority to adopt regulations,
- a. adding gaming manager certificates to the list of items in subsections (1) and (3) that department may regulate;
  - b. substituting gross receipts for the references to authorized expenses and net proceeds in subsection (2);
  - c. making explicit in subsection (2) the Department's authority to adopt regulations to assure the timely payment of the charitable share, currently implied in subsection (11);
  - d. adding gaming managers to the list of persons in subsection (5) that may be investigated;
  - e. expanding the language in subsection (7) to make it more clear who can hold a multiple-beneficiary permit (MBP); and
  - f. adding gaming managers to the list of entities in subsection (9) for which the Department may regulate the disposition of gaming funds in their possession upon surrender, revocation or invalidation of the gaming manager's certificate.
- Sec. 3:* Amends AS 05.15.060 by adding a new subsection (c) making it clear that the gaming records collected by the Department are public, but only after 90 days of receipt of those records.
- Sec. 4:* Amends AS 05.15.070 by adding gaming managers to the list of persons whose books and records the Department may examine in conjunction with a gaming investigation.
- Sec. 5:* Amends AS 05.15.070 by adding a new subsection (b) requiring municipalities that levy sales taxes on permittees, operators or vendors to provide copies of the sales tax reports to the department upon the department's request.
- Sec. 6:* Amends AS 05.15.080 by substituting "charitable share" for "net proceeds", deleting the references to authorized expenses, requiring reports for each activity, and substituting "gaming fee" for "additional fee".

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- Sec. 7:* Amends AS 05.15.083 by substituting "charitable share" for "net proceeds", deleting the references to authorized expenses and requiring reports for each activity.
- Sec. 8:* Amends AS 05.15.083 by adding a new subsection (c) requiring an operator to deliver to the permittee a copy of the financial reports submitted to the department, and certify to the department that the copies have been delivered.
- Sec. 9:* Repeals and re-enacts AS 05.15.087(a) requiring an operator to pay the permittee the charitable share due from gaming activity conducted during a calendar quarter by the 15<sup>th</sup> of the month following the quarter.
- Sec. 10:* Amends AS 05.15.105(a) by adding a specific reference to gaming managers to the list of roles in which a gambling law violator may not serve.
- Sec. 11:* Adds a new section AS 05.15.114
- a. prohibiting a person from serving as a gaming manager without certification from the department;
  - b. prohibiting permittees from employing a gaming manager who is not certified by the department;
  - c. requiring the department to certify as a gaming manager a person who meets specified conditions; and
  - d. defining some specific responsibilities of a gaming manager.
- Sec. 12:* Amends AS 05.15.115(b) by deleting the reference to expenses and adding language that will explicitly prohibit a charity from paying any of the expenses of an operator. This will ensure that the charitable share is not directly or indirectly reduced.
- Sec. 13:* Amends AS 05.15.115(d) by deleting the requirement that the department either approve or disapprove operator contracts, retaining the ability of the department to declare an operator's contract void.
- Sec. 14:* Repeals and re-enacts AS 05.15.128(a)
- a. requiring the department to revoke the license of an operator who fails to remit at least the minimum charitable share to the permittee;

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and

- b. setting the minimum charitable share from
  - 1. bingo at 1.5% of gross receipts;
  - 2. pull-tabs at 7 % of gross receipts; and
  - 3. all other gaming at 10% of gross receipts.

*Sec. 15:* Amends AS 05.15.145(a) to require MBPs to utilize a gaming manager.

*Sec. 16:* Amends AS 05.15.145(d) by adding reporting and payment requirements for holders of MBPs that are consistent with operator requirements.

*Sec. 17:* Amends AS 05.15.145 by adding new subsections (e) and (f)

- a. requiring the department to revoke a MBP if the MBP holders fail to distribute at least the minimum charitable share to the holders of the MBP;
- b. setting the minimum charitable share from
  - 1. bingo at 1.5% of gross receipts;
  - 2. pull-tabs at 7 % of gross receipts; and
  - 3. all other gaming at 10% of gross receipts; and
- c. making MBPs subject to most of the same requirements placed on operators, leveling the playing field.

*Sec. 18:* Amends AS 05.15.150 by

- a. substituting "charitable share" for "net proceeds"; and
- b. simplifying the sentence structure of the statute.

*Sec. 19:* Amends AS 05.15.150 by adding a new subsection (c) that would allow a dog musher's association to use the charitable share realized in one year for dog musher's contest prizes in the next year.

*Sec. 20:* Amends AS 05.15 by adding a new section 155

- a. requiring the department to revoke the permit of a municipality or qualified organization which fails to distribute or dedicate at least the minimum charitable share to the purposes required by AS 05.15.150; and

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- b. setting the minimum charitable share from
  - 1. bingo at 1.5% of gross receipts;
  - 2. pull-tabs at 7 % of gross receipts; and
  - 3. all other gaming at 10% of gross receipts.

*Sec. 21:* Amends AS 05.15.165(a) by substituting "charitable share" for "net proceeds."

*Sec. 22:* Amends AS 05.15.165(f) by substituting "gross receipts" and "charitable share" for "net proceeds."

*Sec. 23:* Amends AS 05.15 by adding a new section 166 to authorize operators and holders of MBPs to pool gross receipts, prizes and door prizes by activity. This will simplify the accounting requirements for operators and the department without adversely impacting the amounts provided to the charities.

*Sec. 24:* Amends AS 05.15.167(a) by substituting "charitable share" for "net proceeds."

*Sec. 25:* Amends AS 05.15.167(b) by substituting "charitable share" for "net proceeds."

*Sec. 26:* Amends AS 05.15.170

- a. adding gaming manager certificates to the list of permits, licenses and registrations that may be suspended or revoked for the any of the reasons currently listed in statute;
- b. prohibiting the department from subsequently certifying as a gaming manager for at least 1 year but not more than 5 years a person whose gaming manager certificate has been revoked; and
- c. prohibiting the department from subsequently issuing a MBP for at least the 1 subsequent year, but not more than 5 subsequent years, to any organization whose MBP has been revoked.

*Sec. 27:* Repeals and reenacts AS 05.15.180(g) to base gaming limitations on gross receipts rather than prize payouts, except for bingo. Bingo limitations will remain based on prizes. This will add consistency and reduce the required accounting without abandoning a workable system for

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bingo.

- Sec. 28:* Amends AS 05.15.188(h) by substituting "ideal gross" for "ideal net" and reducing the percentage to a level that will return approximately the same amount to the permittee.
- Sec. 29:* Repeals and reenacts AS 05.15.188(i) by removing the ideal net provisions and more clearly describing the vendor payment process.
- Sec. 30:* Amends AS 05.15.680(b) making a person who make a false statement in an application for a gaming manager certificate guilty of unsworn falsification.
- Sec. 31:* Amends AS 05.15.690(21) by redefining "gross receipts" to exclude local sales and federal excise taxes collected and otherwise clarify the definition.
- Sec. 32:* Amends AS 05.15.690(23) by substituting the definition of "ideal gross" for the definition of "ideal net".
- Sec. 33:* Amends AS 05.15.690 by adding two new paragraphs;
- a. (46) defining "charitable share"; and
  - b. (47) defining "gaming manager."
- Sec. 34:* Repeals
- a. AS 05.15.087(b) and AS 05.15.87(c), sections pertaining to reporting requirements that have been made unnecessary by the amendments made in sections 7 and 8 of this legislation; and
  - b. AS 05.15.160, 05.15.165(b) and 05.15.690(29), sections that pertain to authorized expenses and net proceeds.
- Sec. 35:* Authorizes the department to proceed with regulation changes prior to the effective date of the statutory amendments, provided the amendments to the regulations do not take effect prior to the effective date of the statutory changes.
- Sec. 36-37:* Establish effective dates.

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> |
| <b>CAPITAL EXPENDITURES</b>   |            |            |            |            |            |            |
| <b>CHANGE IN REVENUES ( )</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> |

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  
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 Approved by Commissioner: Wilson L. Condon *Kass A. Kurray*  
 Agency: Revenue

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 Date: February 27, 1998  
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