

ALASKA LEGISLATURE

1824

HOUSE and SENATE FINANCE COMMITTEE FILES, 1997-1998

**SB**

**266**

SFIN

FILE

BILL NO. CSSB 266 (HES)  
 Title: "An act relating to Medicaid coverage for certain eligible children"  
 Sponsor: Senate Rules by Request of the Governor  
 Requestor: Senate (HES)

CSSB 266 (HES) FISCAL SUMMARY

The Governor's original fiscal note on this bill totaled \$7.2 million general fund need for FY99. This number has been revised to \$2.1 million general fund need as a result of the following considerations:

- > program implementation delayed to October 1, 1998,
- > deletion of coverage for pregnant women
- > reduction in the rate at which children are enrolled in the Title XXI program,
- > removal of the children who are currently eligible for Medicaid but not currently enrolled, who will enroll as a result of the outreach efforts, and
- > revision for administrative expenditures to recognize one time startup costs.

The following table provides a combined summary of expenditures from all fiscal notes related to this bill based on these revised assumptions.

BRU	Component	FY99	FY00	FY01	FY02	FY03	FY04
Medical Assistance	Medicaid Non-Facilities	4,199.8	5,309.8	5,681.5	6,079.2	6,504.8	6,960.2
	Fed	3,017.9	3,815.6	4,082.7	4,368.5	4,674.3	5,001.6
	GFM	1,181.8	1,494.2	1,598.8	1,710.7	1,830.5	1,958.6
	Medicaid Facilities	2,031.9	2,568.8	2,748.6	2,941.0	3,146.8	3,367.1
	Fed	1,460.2	1,846.0	1,975.2	2,113.4	2,261.3	2,419.6
	GFM	571.8	722.9	773.4	827.6	885.5	947.5
	Indian Health Service	1,575.6	1,992.0	2,131.4	2,280.6	2,440.3	2,611.1
	Fed	1,575.6	1,992.0	2,131.4	2,280.6	2,440.3	2,611.1
	Children's Health Eligibility	960.7	987.1	1,057.1	1,132.2	1,212.6	1,298.7
Admin	Fed	651.0	709.3	759.7	813.6	871.4	933.2
	GFM	309.7	277.8	297.5	318.6	341.2	365.4
	Combined Fiscal Notes Summary	8,768.0	10,857.7	11,618.7	12,433.1	13,304.5	14,237.0
	Fed	6,704.7	8,362.9	8,949.0	9,576.2	10,247.3	10,965.5
	GFM	2,063.3	2,494.8	2,669.7	2,856.9	3,057.2	3,271.5
Year to Year Growth Rate			23.8%	7.0%	7.0%	7.0%	7.0%

# FISCAL NOTE

**STATE OF ALASKA**  
**1998 LEGISLATIVE SESSION**

No. 7  
 Bill Version: CS SB 266 (HES)  
 (S) Publish Date: 4/27/98

Revision Date: \_\_\_\_\_ Dept. Affected: Health and Social Services  
 Title: An Act relating to Medicaid coverage for certain BRU: Medical Assistance  
eligible children; Component: Medicaid Non-Facility  
 Sponsor: Senate Rules by Request of the Governor COMPONENT SERIAL NO. 229  
 Requestor: Senate (HES) See also (SN#): 2260, 960,230

**Expenditures/Revenues:** (Thousands of Dollars)

OPERATING	FY99	FY00	FY01	FY02	FY03	FY04
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	4,199.8	5,309.8	5,681.5	6,079.2	6,504.8	6,960.2
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>4,199.8</b>	<b>5,309.8</b>	<b>5,681.5</b>	<b>6,079.2</b>	<b>6,504.8</b>	<b>6,960.2</b>

CAPITAL EXPENDITURES						
CHANGES IN REVENUES ( )						

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts	3,717.9	3,815.6	4,082.7	4,368.5	4,674.3	5,001.6
1003 GF Match	1,181.8	1,494.2	1,598.8	1,710.7	1,830.5	1,958.6
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (please specify)						
<b>TOTAL</b>	<b>4,199.8</b>	<b>5,309.8</b>	<b>5,681.5</b>	<b>6,079.2</b>	<b>6,504.8</b>	<b>6,960.2</b>

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of any current year (FY98) cost: \$0.0

**ANALYSIS:** (Attach a separate page if necessary)

The Balanced Budget Act of 1997 recently passed by Congress creates a new Title XXI of the Social Security Act which allows States to use the new funds appropriated to either expand Medicaid eligibility for children, with an enhanced federal match for the expansion population, or to purchase health coverage, or both. The allocation of funds is made in the same proportion of the ratio of the number of low-income children without insurance and the geographic variations in health costs. Alaska's allocation is \$5.6 million with a federal match rate of 71.86%. No more than 10% of the funding can be applied to administrative support and outreach. Incremental funding expanding the Medicaid program for children up to 200% of the federal poverty level is requested.

The direct services costs related to the "Smart Start" Initiative were estimated using a model that estimates the funding needed to provide Medicaid coverage to all uninsured Children up to 200% of the Federal Poverty Level. The model is based on a number of assumptions pertaining to the size and composition of the uninsured

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 Division: Medical Assistance Date: 04/24/98

Approved by Commissioner: Karen Perdue, Commissioner Date: 4/27/98  
 Agency: Department of Health & Social Services

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**ANALYSIS (cont):**

population in Alaska, the rates of anticipated participation in a medical insurance program by this population, and the costs associated with providing coverage for Medicaid services to these program participants. Specific assumptions used are:

	<u>Variables</u>	<u>Assumed Value</u>
<b>Costs per Participant Estimates:</b>		
	Cost per Child Age 0-18 \$	1,908
	Cost per Pregnant Woman	N/A
<b>Childrens' Health Insurance Program &amp; Medicaid Matching Rates:</b>		
	Childrens Health Insurance - FMAP Rate	71.9%
	Childrens Health Insurance - State GF Match Rate	28.1%
	Medicaid FMAP	59.8%
	Medicaid State GF Match Rate	40.2%
<b>Children Health Insurance Program Funding:</b>		
	Childrens Health Insurance - Alaska Allotment (est) \$	5,664,899
	State Childrens Health Insurance Match \$	2,218,345
	Total Childrens Health Insurance Funds \$	7,883,244
<b>Native Children Participation and IHS Utilization:</b>		
	% of Eligible Children Below 200% of FPL Who are Native	35.6%
	% of Native Children Who Use IHS Services	60.0%
<b>Estimated Program Participation Rates:</b>		
	Participation Rate - All Children Year 1	67.8%
	Participation Rate - All Children Year 2	80.1%
	Participation Rate - Pregnant Women	N/A
	Estimated Number of Uninsured Children <200% of FPL	6,036
	Estimated Number of Uninsured Pregnant Women >133% and <200% of FPL	N/A
<b>Percent of Uninsured Pregnant Women Who are Native:</b>		
	% Native Uninsured Pregnant Women	N/A

In addition to the specific assumptions, the model relies on the results of an analysis by Employee Benefits Research Institute (EBRI) which provided an estimate of the distribution of the uninsured Alaska population by Federal Poverty Level (FPL) and number of insured who fall into each FPL category. The results of that analysis are summarized below.

**Employee Benefit Research Institute - 0 thru 18  
Uninsured Children Estimate**

<u>Poverty Rate</u>	<u>Total</u>
0-99%	5,553
100-149%	3,679
150-199%	2,357
200-249%	3,020
250-299%	2,597
300-349%	1,185
350-399%	1,529
400% & Up	3,571
<b>Total Uninsured Alaskan Children</b>	<b>23,491</b>

The funding model calculates the cumulative number of "Smart Start" participants based on the estimated number of children who fall into FPL categories between 0% and 199%. The total estimated number of uninsured children who fall below 200% of FPL is 11,589. An estimated 5,553 of the uninsured children are would be enrolled in the Medicaid

**ANALYSIS (cont.):**

program if they applied. The 6,036 balance of uninsured children are targeted under this proposal. This number is subsequently multiplied by the Participation Rate for All Children to yield an adjusted estimate of the children who would likely participate in the program in Year 1. This result is then multiplied by two factors, the "% of Eligible Children who are Native" and the "% of Native Children Using IHS" to estimate the total number of uninsured Native children who are anticipated to use the services of IHS providers under the program. A final calculation subtracts that number (uninsured Native children using IHS services) from the estimated total number of participating children to yield the number of children who would get services from non-IHS providers.

The costs per eligible child are based on an analysis of recent spending data from the Medicaid Management Information System for services provided AFDC children adjusted to reflect estimated costs for these same services in FY99. The estimated numbers of participating Native and non-Native children are multiplied by the projected cost per eligible child to provide a total cost of coverage for each of these groups. The model estimates that all services provided to eligible Native children who use IHS providers will qualify for reimbursement that is 100% federally funded. Funding for the services to the remaining population of children is under the Children's Health Insurance Program (Title XXI). For services to the remaining non-IHS children between 100% and 200% FPL, the State's allocation under Title XXI is used as the funding source at an enhanced match rate of 28.14% GF and 71.86% FFP.

In preparing this fiscal note an implementation date beginning October 1, 1998 was assumed for the enrollment of the first child. Enrollment is projected to increase at a monthly rate of 8.7% during the first year, ending the year with a total enrollment of a projected 4,092 children.

Using the above assumptions, the funding model estimates that Title XXI Medicaid coverage for 4,092 participating children will require \$8,768.0 in total expenditures (\$2,063.3 SGFM / \$6,704.7 Fed Funds) for services and administration.

Distribution of "Smart Start" related funding is based on analyses of Medicaid spending for medical services provided to AFDC Children. The historical expenditure data used came from the Medicaid Management Information System monthly MR-O-91T report which is a summary of Medicaid spending by Medicaid Category of Assistance and colocation code. The expenditures used were cumulative dates of payment for the period July, 1996 through October, 1997. Distributions between the colocation codes were calculated separately for each of the Medicaid Program components (Medicaid Non-Facilities, Medicaid Facilities, and Medicaid Indian Health Services). No distributions were made for either AFDC Children to Medicaid Waivered Services as no spending occurred during the observed period in that component for these groups.

The total projected FY99 expenditures for direct services to uninsured children (\$7,807.3 Total Funds, \$1,753.6 GFM) was multiplied by the percentage distribution between the components, and that result was multiplied by the percentage distribution across each relevant colocation code to determine the amount of direct services to be allocated to each colocation code.

#### Medicaid Impacts

There are increased Medicaid program costs anticipated to result from outreach efforts required as part of a Title XXI program. As previously identified, there are an estimated 5,553 uninsured children who fall below 100% of poverty who would be eligible for Medicaid if they applied. Through the outreach effort required under Title XXI, the Division anticipates that about 40% of these uninsured children will enroll as new eligibles under Title XIX Medicaid. This 40% participation rate differs from the 80% participation rate assumed in the original Smart Start fiscal analysis. The 40% estimate is based on new information from recent outreach studies and also reflects delayed implementation of the Title XXI program. The model assumes that direct services to children who fall under 100% of FPL will be financed under the Medicaid program and the total costs for these services will be financed through the current Medicaid program at the Medicaid match rate of 40.2% GF and 59.8% FMAP. These costs are not depicted in this bill's fiscal notes as the costs do not directly relate to the proposed Title XXI-based program for uninsured children.

**ANALYSIS (cont.):****Note:**

Costs per Child are based on FY97 date-of payment data. Costs exclude Indian Health Services, State Programs, API Disproportionate Share Facilities payments, and Medical Assistance Administration. The denominator is the number of eligible non-disabled children (52,154) as of June 1, 1997. The cost was then adjusted to reflect anticipated FYS9 cost by multiplying times 1.06.

**FORMULAS**

"Uninsured" = "Estimated Uninsured by Federal Poverty Level" (Employee Benefits Research Institute) X Participation Rate (Children)

**"State GF" Native Children**

The model shows no State General Fund expenditures for Native Children who access IHS-funded services. All funding for services to this estimated population are 100% federally reimbursed

**Other Children**

This part of the uninsured children population accesses medicaid services.

**Uninsured Children below 100% of the Federal Poverty Level**

The estimated General Fund costs of covering non-native children up to 100% of the federal poverty level is calculated by assuming the State will participate at the current State Medicaid Match Rate of 40.2%.

**Uninsured Children between 100% & 200% of the Federal Poverty Level**

For the population of children between 100% and 200% of FPL, the model uses a formula that first calculates the total marginal cost of covering the additional children in each FPL category, calculates the federal portion this amount by multiplying by the CHI FMAP rate [71.2%], and compares this result with the total Alaska CHI Allotment (\$5,821,510). If the federal portion of the marginal need is less than the Allotment amount, then the CHI GF Match rate is used to calculate the State general fund needed to fund the marginal costs above above 99% FPL. If the federal portion of the marginal need is greater than the State's CHI Allotment, then the difference between Total amount and the sum of the Total amount for below 100% FPL and total CHI Funds. This difference is then multiplied by the Medicaid State GF match rate to determine the remaining GF needed.

**"Federal" Native Children**

IHS-funded services are 100% federally reimbursed.

**Other Children****Uninsured Children below 100% of the Federal Poverty Level**

The estimated Federal portion of covering non-native children up to 100% FPL is calculated using the Alaska Medicaid FMAP rate of 59.2%.

**Uninsured Children between 100% & 200% of the Federal Poverty Level**

Federal funds are calculated by subtracting the State GF amount for each FPL category from the Total amount.

"Total" = "Uninsured" X "Cost per Child - 0-18" X 1.1 Administrative Cost Factor"

**ANALYSIS (cont.):**

The following distributes the Child Health Program Expenditures by source of funds by administration and program services. The administration and program services are further allocated between Title XIX Medicaid, Title XXI Child Health Initiative and Indian Health Service.

**Fiscal Year 1999: Projected Child Health and Pregnant Women Expenditures - 200% FPL**

Family Income Above Current Medicaid Standards	Children 0-8	Pregnant Women	TOTAL
Uninsured	4,092	-	4,092
Slate GF	\$ 2,063,301	\$ -	\$ 2,063,301
Federal	\$ 6,704,732	\$ -	\$ 6,704,732
Total	\$ 8,768,033	\$ -	\$ 8,768,033 *1

**Source of Funds Analysis**

	GFM	FMAP	IHS	TOTALS
Title XIX - Medicaid	\$ 90,000	\$ 90,000	\$ -	\$ 180,000
Title XXI - Child Health Ins.	\$ 1,973,301	\$ 5,039,141	\$ -	\$ 7,012,443
Title XIX - IHS	\$ -	\$ -	\$ 1,575,591	\$ 1,575,591
Totals	\$ 2,063,301	\$ 5,129,141	\$ 1,575,591	\$ 8,768,033 *1

**Administration**

Title XIX - Medicaid	\$ 90,000	\$ 90,000	\$ -	\$ 180,000
Title XXI - Child Health Ins.	\$ 219,698	\$ 561,033	\$ -	\$ 780,730
Title XIX - IHS	\$ -	\$ -	\$ -	\$ -
Admin Totals	\$ 309,698	\$ 651,033	\$ -	\$ 960,730 *2

**Program**

Title XIX - Medicaid	\$ -	\$ -	\$ -	\$ -
Title XXI - Child Health Ins.	\$ 1,753,604	\$ 4,478,108	\$ -	\$ 6,231,712
Title XIX - IHS	\$ -	\$ -	\$ 1,575,591	\$ 1,575,591
Program Totals	\$ 1,753,604	\$ 4,478,108	\$ 1,575,591	\$ 7,807,303

Notes: \*1 10% Administration is included in estimated total costs for children

\*2. IHS fund is only available for direct program services.

The Division has assumed the following for calculation of the period FY00-04:

Alaska's Federal Medical Assistance Percentage (FMAP) will continue after FY2000 at the enhanced rate of 59.8% because Alaska's Congressional delegation will be effective at securing reauthorization due to enactment of this legislation. It is also assumed that the enhanced federal participation for the Title XXI funding will remain at the same 71.86% through FY04. The fiscal note also assumes an average of a 7% expenditure growth from fiscal year to fiscal year. This growth takes into account changes in the cost of medical services as well as changes in the utilization of medical services by both the clients and providers for the Child Health Initiative.

The details of the SMART START for Alaska's Families program are contained in the document "A Blueprint for Assuring Adequate Access to Health Care for Alaska's Uninsured Children and Pregnant Women." Copies are available at the Commissioner's Offices by calling in Juneau (907-465-3030) and Anchorage (907-269-7800).

**FISCAL NOTE**

**STATE OF ALASKA  
1998 LEGISLATIVE SESSION**

No. 8  
Bill Version: SSB2610(HES)  
(S) Publish Date: 4/27/98

Revision Date: \_\_\_\_\_  
Title: An Act relating to Medicaid coverage for certain eligible children;  
Sponsor: Senate Rules by Request of the Governor  
Requestor: Senate (HES)

Dept. Affected: Health and Social Services  
BRU: Medical Assistance  
Component: Medicaid Facilities  
COMPONENT SERIAL NO. 230  
See also (SN#): 2260,960,229

**Expenditures/Revenues: (Thousands of Dollars)**

OPERATING	FY99	FY00	FY01	FY02	FY03	FY04
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	2,031.9	2,568.8	2,748.6	2,941.0	3,146.8	3,367.1
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>2,031.9</b>	<b>2,568.8</b>	<b>2,748.6</b>	<b>2,941.0</b>	<b>3,146.8</b>	<b>3,367.1</b>

CAPITAL EXPENDITURES						
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CHANGES IN REVENUES ( )						
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**FUND SOURCE (Thousands of Dollars)**

	FY99	FY00	FY01	FY02	FY03	FY04
1002 Federal Receipts	1,460.2	1,846.0	1,975.2	2,113.4	2,261.3	2,419.6
1003 GF Match	571.8	722.9	773.4	827.6	885.5	947.5
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (please specify)						
<b>TOTAL</b>	<b>2,031.9</b>	<b>2,568.8</b>	<b>2,748.6</b>	<b>2,941.0</b>	<b>3,146.8</b>	<b>3,367.1</b>

**POSITIONS:**

	FY99	FY00	FY01	FY02	FY03	FY04
FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of any current year (FY98) cost: \$0.0

**ANALYSIS: (Attach a separate page if necessary)**

The Balanced Budget Act of 1997 recently passed by Congress creates a new Title XXI of the Social Security Act which allows States to use the new funds appropriated to either expand Medicaid eligibility for children, with an enhanced federal match for the expansion population, or to purchase health coverage, or both. The allocation of funds is made in the same proportion of the ratio of the number of low-income children without insurance and the geographic variations in health costs. Alaska's allocation is \$5.6 million with a federal match rate of 71.86%. No more than 10% of the funding can be applied to administrative support and outreach. Incremental funding expanding the Medicaid program for children up to 200% of the federal poverty level and pregnant women is requested.

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Division: Medical Assistance  
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Agency: Department of Health & Social Services

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Date: 04/24/98  
Date: 4/27/98

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**ANALYSIS (cont):**

population in Alaska, the rates of anticipated participation in a medical insurance program by this population, and the costs associated with providing coverage for Medicaid services to these program participants. Specific assumptions used are:

	<u>Variables</u>	<u>Assumed Value</u>
<b>Costs per Participant Estimates:</b>		
	Cost per Child Age 0-18	\$ 1,908
	Cost per Pregnant Woman	N/A
<b>Childrens' Health Insurance Program &amp; Medicaid Matching Rates:</b>		
	Childrens Health Insurance - FMAP Rate	71.9%
	Childrens Health Insurance - State GF Match Rate	28.1%
	Medicaid FMAP	59.8%
	Medicaid State GF Match Rate	40.2%
<b>Children Health Insurance Program Funding:</b>		
	Childrens Health Insurance - Alaska Allotment (est)	\$ 5,664,899
	State Childrens Health Insurance Match	\$ 2,218,345
	Total Childrens Health Insurance Funds	\$ 7,883,244
<b>Native Children Participation and IHS Utilization:</b>		
	% of Eligible Children Below 200% of FPL Who are Native	35.6%
	% of Native Children Who Use IHS Services	60.0%
<b>Estimated Program Participation Rates:</b>		
	Participation Rate - All Children Year 1	67.8%
	Participation Rate - All Children Year 2	80.1%
	Participation Rate - Pregnant Women	N/A
	Estimated Number of Uninsured Children <200% of FPL	6,036
	Estimated Number of Uninsured Pregnant Women >133% and <200% of FPL	N/A
<b>Percent of Uninsured Pregnant Women Who are Native:</b>		
	% Native Uninsured Pregnant Women	N/A

In addition to the specific assumptions, the model relies on the results of an analysis by Employee Benefits Research Institute (EBRI) which provided an estimate of the distribution of the uninsured Alaska population by Federal Poverty Level (FPL) and number of insured who fall into each FPL category. The results of that analysis are summarized below.

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**ANALYSIS (cont.):**

program if they applied. The 6,036 balance of uninsured children are targeted under this proposal. This number is subsequently multiplied by the Participation Rate for All Children to yield an adjusted estimate of the children who would likely participate in the program in Year 1. This result is then multiplied by two factors, the "% of Eligible Children who are Native" and the "% of Native Children Using IHS" to estimate the total number of uninsured Native children who are anticipated to use the services of IHS providers under the program. A final calculation subtracts that number (uninsured Native children using IHS services) from the estimated total number of participating children to yield the number of children who would get services from non-IHS providers.

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Distribution of "Smart Start" related funding is based on analyses of Medicaid spending for medical services provided to AFDC Children. The historical expenditure data used came from the Medicaid Management Information System monthly MR-O-91T report which is a summary of Medicaid spending by Medicaid Category of Assistance and colocation code. The expenditures used were cumulative dates of payment for the period July, 1996 through October, 1997. Distributions between the colocation codes were calculated separately for each of the Medicaid Program components (Medicaid Non-Facilities, Medicaid Facilities, and Medicaid Indian Health Services). No distributions were made for either AFDC Children to Medicaid Waivered Services as no spending occurred during the observed period in that component for these groups.

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Medicaid Impacts

There are increased Medicaid program costs anticipated to result from outreach efforts required as part of a Title XXI program. As previously identified, there are an estimated 5,553 uninsured children who fall below 100% of poverty who would be eligible for Medicaid if they applied. Through the outreach effort required under Title XXI, the Division anticipates that about 40% of these uninsured children will enroll as new eligibles under Title XIX Medicaid. This 40% participation rate differs from the 80% participation rate assumed in the original Smart Start fiscal analysis. The 40% estimate is based on new information from recent outreach studies and also reflects delayed implementation of the Title XXI program. The model assumes that direct services to children who fall under 100% of FPL will be financed under the Medicaid program and the total costs for these services will be financed through the current Medicaid program at the Medicaid match rate of 40.2% GF and 59.8% FMAP. These costs are not depicted in this bill's fiscal notes as the costs do not directly relate to the proposed Title XXI-based program for uninsured children.

**ANALYSIS (cont.):****Note:**

Costs per Child are based on FY97 date-of payment data. Costs exclude Indian Health Services, State Programs, AI-1 Disproportionate Share Facilities payments, and Medical Assistance Administration. The denominator is the number of eligible non-disabled children (52,154) as of June 1, 1997. The cost was then adjusted to reflect anticipated FY99 cost by multiplying times 1.03.

**FORMULAS**

"Uninsured" = "Estimated Uninsured by Federal Poverty Level" (Employee Benefits Research Institute) X Participation Rate (Children)

**"State GF" Native Children**

The model shows no State General Fund expenditures for Native Children who access IHS-funded services. All funding for services to this estimated population are 100% federally reimbursed

**Other Children**

This part of the uninsured children population accesses medicaid services.

**Uninsured Children below 100% of the Federal Poverty Level**

The estimated General Fund costs of covering non-native children up to 100% of the federal poverty level is calculated by assuming the State will participate at the current State Medicaid Match Rate of 40.2%.

**Uninsured Children between 100% & 200% of the Federal Poverty Level**

For the population of children between 100% and 200% of FPL, the model uses a formula that first calculates the total marginal cost of covering the additional children in each FPL category, calculates the federal portion this amount by multiplying by the CHI FMAP rate (71.2%), and compares this result with the total Alaska CHI Allotment (\$5,621,510). If the federal portion of the marginal need is less than the Allotment amount, then the CHI GF Match rate is used to calculate the State general fund needed to fund the marginal costs above 99% FPL. If the federal portion of the marginal need is greater than the State's CHI Allotment, then the difference between Total amount and the sum of the Total amount for below 100% FPL and total CHI Funds. This difference is then multiplied by the Medicaid State GF match rate to determine the remaining GF needed.

**"Federal" Native Children**

IHS-funded services are 100% federally reimbursed.

**Other Children****Uninsured Children below 100% of the Federal Poverty Level**

The estimated Federal portion of covering non-native children up to 100% FPL is calculated using the Alaska Medicaid FMAP rate of 59.2%.

**Uninsured Children between 100% & 200% of the Federal Poverty Level**

Federal funds are calculated by subtracting the State GF amount for each FPL category from the Total amount.

"Total" = "Uninsured" X "Cost per Child - 0-18" X 1.1 Administrative Cost Factor"

**ANALYSIS (cont.):**

The following distributes the Child Health Program Expenditures by source of funds by administration and program services. The administration and program services are further allocated between Title XIX Medicaid, Title XXI Child Health Initiative and Indian Health Service.

**Fiscal Year 1999: Projected Child Health and Pregnant Women Expenditures - 200% FPL**

Family Income Above Current Medicaid Standards	Children 0-18	Pregnant Women	TOTAL
Uninsured	4,092	-	4,092
State GF	\$ 2,063,301	\$ -	\$ 2,063,301
Federal	\$ 6,704,732	\$ -	\$ 6,704,732
Total	\$ 8,768,033	\$ -	\$ 8,768,033 *1

**Source of Funds Analysis**

	GFM	FMAP	IHS	TOTALS
Title XIX - Medicaid	\$ 90,000	\$ 90,000	\$ -	\$ 180,000
Title XXI - Child Health Ins.	\$ 1,973,301	\$ 5,039,141	\$ -	\$ 7,012,443
Title XIX - IHS	\$ -	\$ -	\$ 1,575,591	\$ 1,575,591
Totals	\$ 2,063,301	\$ 5,129,141	\$ 1,575,591	\$ 8,768,033 *1

**Administration**

Title XIX - Medicaid	\$ 90,000	\$ 90,000	\$ -	\$ 180,000
Title XXI - Child Health Ins.	\$ 219,698	\$ 561,033	\$ -	\$ 780,730
Title XIX - IHS	\$ -	\$ -	\$ -	\$ -
Admin Totals	\$ 309,698	\$ 651,033	\$ -	\$ 960,730 *2

**Program**

Title XIX - Medicaid	\$ -	\$ -	\$ -	\$ -
Title XXI - Child Health Ins.	\$ 1,753,604	\$ 4,478,108	\$ -	\$ 6,231,712
Title XIX - IHS	\$ -	\$ -	\$ 1,575,591	\$ 1,575,591
Program Totals	\$ 1,753,604	\$ 4,478,108	\$ 1,575,591	\$ 7,807,303

Notes: \*1 10% Administration is included in estimated total costs for children

\*2. IHS fund is only available for direct program services.

The Division has assumed the following for calculation of the period FY00-04:

Alaska's Federal Medical Assistance Percentage (FMAP) will continue after FY2000 at the enhanced rate of 59.8% because Alaska's Congressional delegation will be effective at securing reauthorization due to enactment of this legislation. It is also assumed that the enhanced federal participation for the Title XXI funding will remain at the same 71.86% through FY04. The fiscal note also assumes an average of a 7% expenditure growth from fiscal year to fiscal year. This growth takes into account changes in the cost of medical services as well as changes in the utilization of medical services by both the clients and providers for the Child Health Initiative.

The details of the SMART START for Alaska's Families program are contained in the document "A Blueprint for Assuring Adequate Access to Health Care for Alaska's Uninsured Children and Pregnant Women." Copies are available at the Commissioner's Offices by calling in Juneau (907-465-3030) and Anchorage (907-269-7800).

**FISCAL NOTE**

**STATE OF ALASKA**  
**1998 LEGISLATIVE SESSION**

No. 9  
 Bill Version: CS SB 216(d) (HES)  
 (S) Publish Date: 4/27/98

Revision Date: \_\_\_\_\_ Dept. Affected: Health and Social Services  
 Title: An Act relating to Medicaid coverage for certain BRU: Medical Assistance  
 eligible children: \_\_\_\_\_ Component: Indian Health Service  
 Sponsor: Senate Rules by Request of the Governor COMPONENT SERIAL NO. 960  
 Requestor: Senate (HES) See also (SN#): 2260,230,229

**Expenditures/Revenues:** (Thousands of Dollars)

	FY99	FY00	FY01	FY02	FY03	FY04
<b>OPERATING</b>						
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	1,575.6	1,992.0	2,131.4	2,280.6	2,440.3	2,611.1
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>1,575.6</b>	<b>1,992.0</b>	<b>2,131.4</b>	<b>2,280.6</b>	<b>2,440.3</b>	<b>2,611.1</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGES IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

	FY99	FY00	FY01	FY02	FY03	FY04
1002 Federal Receipts	1,575.6	1,992.0	2,131.4	2,280.6	2,440.3	2,611.1
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (please specify)						
<b>TOTAL</b>	<b>1,575.6</b>	<b>1,992.0</b>	<b>2,131.4</b>	<b>2,280.6</b>	<b>2,440.3</b>	<b>2,611.1</b>

**POSITIONS:**

	FY99	FY00	FY01	FY02	FY03	FY04
FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of any current year (FY98) cost: \$0.0

**ANALYSIS:** (Attach a separate page if necessary)

The Balanced Budget Act of 1997 recently passed by Congress creates a new Title XXI of the Social Security Act which allows States to use the new funds appropriated to either expand Medicaid eligibility for children, with an enhanced federal match for the expansion population, or to purchase health coverage, or both. The allocation of funds is made in the same proportion of the ratio of the number of low-income children without insurance and the geographic variations in health costs. Alaska's allocation is \$5.6 million with a federal match rate of 71.86%. No more than 10% of the funding can be applied to administrative support and outreach. Incremental funding expanding the Medicaid program for children up to 200% of the federal poverty level and pregnant women is requested.

The direct services costs related to the "Smart Start" initiative were estimated using a model that estimates the funding needed to provide Medicaid coverage to all uninsured Children up to 200% of the Federal Poverty Level. The model is based on a number of assumptions pertaining to the size and composition of the uninsured

*JWS*  
 4/24/98  
 Prepared by: Randy Super Phone: 456-5833  
 Division: Medical Assistance Date: 04/24/98  
 Approved by Commissioner: Karen Perdue, Commissioner Date: 4/27/98  
 Agency: Department of Health & Social Services

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**ANALYSIS (cont.):**

population in Alaska, the rates of anticipated participation in a medical insurance program by this population, and the costs associated with providing coverage for Medicaid services to these program participants. Specific assumptions used are:

	<u>Variables</u>	<u>Assumed Value</u>
Costs per Participant Estimates:		
	Cost per Child Age 0-18	\$ 1,908
	Cost per Pregnant Woman	N/A
Childrens' Health Insurance Program & Medicaid Matching Rates:		
	Childrens Health Insurance - FMAP Rate	71.9%
	Childrens Health Insurance - State GF Match Rate	28.1%
	Medicaid FMAP	59.8%
	Medicaid State GF Match Rate	40.2%
Children Health Insurance Program Funding:		
	Childrens Health Insurance - Alaska Allotment (est)	\$ 5,664,899
	State Childrens Health Insurance Match	\$ 2,218,345
	Total Childrens Health Insurance Funds	\$ 7,883,244
Native Children Participation and IHS Utilization:		
	% of Eligible Children Below 200% of FPL Who are Native	35.6%
	% of Native Children Who Use IHS Services	60.0%
Estimated Program Participation Rates:		
	Participation Rate - All Children Year 1	67.8%
	Participation Rate - All Children Year 2	80.1%
	Participation Rate - Pregnant Women	N/A
	Estimated Number of Uninsured Children <200% of	6,036
	Estimated Number of Uninsured Pregnant Women >133% and <200	N/A
Percent of Uninsured Pregnant Women Who are Native:		
	% Native Uninsured Pregnant Women	N/A

In addition to the specific assumptions, the model relies on the results of an analysis by Employee Benefits Research Institute (EBRI) which provided an estimate of the distribution of the uninsured Alaska population by Federal Poverty Level (FPL) and number of insured who fall into each FPL category. The results of that analysis are summarized below.

Employee Benefit Research Institute - 0 thru 18  
Uninsured Children Estimate

<u>Poverty Rate</u>	<u>Total</u>
0-99%	5,553
100-149%	3,679
150-199%	2,357
200-249%	3,020
250-299%	2,597
300-349%	1,185
350-399%	1,529
400% & Up	3,571
Total Uninsured Alaskan Children	<u>23,491</u>

The funding model calculates the cumulative number of "Smart Start" participants based on the estimated number of children who fall into FPL categories between 0% and 199%. The total estimated number of uninsured children who fall below 200% of FPL is 11,589. An estimated 5,553 of the uninsured children are would be enrolled in the Medicaid

**ANALYSIS (cont.):**

program if they applied. The 6.0% balance of uninsured children are targeted under this proposal. This number is subsequently multiplied by the Participation Rate for All Children to yield an adjusted estimate of the children who would likely participate in the program in Year 1. This result is then multiplied by two factors, the "% of Eligible Children who are Native" and the "% of Native Children Using IHS" to estimate the total number of uninsured Native children who are anticipated to use the services of IHS providers under the program. A final calculation subtracts that number (uninsured Native children using IHS services) from the estimated total number of participating children to yield the number of children who would get services from non-IHS providers.

The costs per eligible child are based on an analysis of recent spending data from the Medicaid Management Information System for services provided AFDC children adjusted to reflect estimated costs for these same services in FY99. The estimated numbers of participating Native and non-Native children are multiplied by the projected cost per eligible child to provide a total cost of coverage for each of these groups. The model estimates that all services provided to eligible Native children who use IHS providers will qualify for reimbursement that is 100% federally funded. Funding for the services to the remaining population of children is under the Children's Health Insurance Program (Title XXI). For services to the remaining non-IHS children between 100% and 200% FPL, the State's allocation under Title XXI is used as the funding source at an enhanced match rate of 28.14% GF and 71.86% FFP.

In preparing this fiscal note an implementation date beginning October 1, 1998 was assumed for the enrollment of the first child. Enrollment is projected to increase at a monthly rate of 8.7% during the first year, ending the year with a total enrollment of a projected 4,092 children.

Using the above assumptions, the funding model estimates that Title XXI Medicaid coverage for 4,092 participating children will require \$8,768.0 in total expenditures (\$2,063.3 SGFM / \$6,704.7 Fed Funds) for services and administration.

Distribution of "Smart Start" related funding is based on analyses of Medicaid spending for medical services provided to AFDC Children. The historical expenditure data used came from the Medicaid Management Information System monthly MR-O-91T report which is a summary of Medicaid spending by Medicaid Category of Assistance and colocation code. The expenditures used were cumulative dates of payment for the period July, 1996 through October, 1997. Distributions between the colocation codes were calculated separately for each of the Medicaid Program components (Medicaid Non-Facilities, Medicaid Facilities, and Medicaid Indian Health Services). No distributions were made for either AFDC Children to Medicaid Waivered Services as no spending occurred during the observed period in that component for these groups.

The total projected FY99 expenditures for direct services to uninsured children (\$7,807.3 Total Funds, \$1,753.6 GFM) was multiplied by the percentage distribution between the components, and that result was multiplied by the percentage distribution across each relevant colocation code to determine the amount of direct services to be allocated to each colocation code.

Medicaid Impacts

There are increased Medicaid program costs anticipated to result from outreach efforts required as part of a Title XXI program. As previously identified, there are an estimated 5,553 uninsured children who fall below 100% of poverty who would be eligible for Medicaid if they applied. Through the outreach effort required under Title XXI, the Division anticipates that about 40% of these uninsured children will enroll as new eligibles under Title XIX Medicaid. This 40% participation rate differs from the 80% participation rate assumed in the original Smart Start fiscal analysis. The 40% estimate is based on new information from recent outreach studies and also reflects delayed implementation of the Title XXI program. The model assumes that direct services to children who fall under 100% of FPL will be financed under the Medicaid program and the total costs for these services will be financed through the current Medicaid program at the Medicaid match rate of 40.2% GF and 59.8% FMAP. These costs are not depicted in this bill's fiscal notes as the costs do not directly relate to the proposed Title XXI-based program for uninsured children.

**ANALYSIS (cont.):****Note:**

Costs per Child are based on FY97 date-of payment data. Costs exclude Indian Health Services, State Programs, API Disproportionate Share Facilities payments, and Medical Assistance Administration. The denominator is the number of eligible non-disabled children (52,154) as of June 1, 1997. The cost was then adjusted to reflect anticipated FY99 cost by multiplying times 1.06.

**FORMULAS**

"Uninsured" = "Estimated Uninsured by Federal Poverty Level" (Employee Benefits Research Institute) X Participation Rate (Children)

**"State GF" Native Children**

The model shows no State General Fund expenditures for Native Children who access IHS-funded services. All funding for services to this estimated population are 100% federally reimbursed.

**Other Children**

This part of the uninsured children population accesses medicaid services.

**Uninsured Children below 100% of the Federal Poverty Level**

The estimated General Fund costs of covering non-native children up to 100% of the federal poverty level is calculated by assuming the State will participate at the current State Medicaid Match Rate of 40.2%.

**Uninsured Children between 100% & 200% of the Federal Poverty Level**

For the population of children between 100% and 200% of FPL, the model uses a formula that first calculates the total marginal cost of covering the additional children in each FPL category, calculates the federal portion this amount by multiplying by the CHI FMAP rate (71.2%), and compares this result with the total Alaska CHI Allotment (\$5,621,510). If the federal portion of the marginal need is less than the Allotment amount, then the CHI GF Match rate is used to calculate the State general fund needed to fund the marginal costs above above 99% FPL. If the federal portion of the marginal need is greater than the State's CHI Allotment, then the difference between Total amount and the sum of the Total amount for below 100% FPL and total CHI Funds. This difference is then multiplied by the Medicaid State GF match rate to determine the remaining GF needed.

**"Federal" Native Children**

IHS-funded services are 100% federally reimbursed.

**Other Children****Uninsured Children below 100% of the Federal Poverty Level**

The estimated Federal portion of covering non-native children up to 100% FPL is calculated using the Alaska Medicaid FMAP rate of 59.2%.

**Uninsured Children between 100% & 200% of the Federal Poverty Level**

Federal funds are calculated by subtracting the State GF amount for each FPL category from the Total amount.

"Total" = "Uninsured" X "Cost per Child - 0-18" X 1.1 Administrative Cost Factor"

**ANALYSIS (cont):**

The following distributes the Child Health Program Expenditures by source of funds by administration and program services. The administration and program services are further allocated between Title XIX Medicaid, Title XXI Child Health Initiative and Indian Health Service.

**Fiscal Year 1999: Projected Child Health and Pregnant Women Expenditures - 200% FPL**

Family Income Above Current Medicaid Standards	Children 0-18	Pregnant Women	TOTAL
Uninsured	4,092	-	4,092
State GF	\$ 2,063,301	\$ -	\$ 2,063,301
Federal	\$ 6,704,732	\$ -	\$ 6,704,732
<b>Total</b>	<b>\$ 8,768,033</b>	<b>\$ -</b>	<b>\$ 8,768,033</b> *1

Source of Funds Analysis

	GFM	FMAP	IHS	TOTALS
Title XIX - Medicaid	\$ 90,000	\$ 90,000	\$ -	\$ 180,000
Title XXI - Child Health Ins.	\$ 1,973,301	\$ 5,039,141	\$ -	\$ 7,012,443
Title XIX - IHS	\$ -	\$ -	\$ 1,575,591	\$ 1,575,591
<b>Totals</b>	<b>\$ 2,063,301</b>	<b>\$ 5,129,141</b>	<b>\$ 1,575,591</b>	<b>\$ 8,768,033</b> *1

Administration

Title XIX - Medicaid	\$ 90,000	\$ 90,000	\$ -	\$ 180,000
Title XXI - Child Health Ins.	\$ 219,698	\$ 561,033	\$ -	\$ 780,730
Title XIX - IHS	\$ -	\$ -	\$ -	\$ -
<b>Admin Totals</b>	<b>\$ 309,698</b>	<b>\$ 651,033</b>	<b>\$ -</b>	<b>\$ 960,730</b> *2

Program

Title XIX - Medicaid	\$ -	\$ -	\$ -	\$ -
Title XXI - Child Health Ins.	\$ 1,753,604	\$ 4,478,108	\$ -	\$ 6,231,712
Title XIX - IHS	\$ -	\$ -	\$ 1,575,591	\$ 1,575,591
<b>Program Totals</b>	<b>\$ 1,753,604</b>	<b>\$ 4,478,108</b>	<b>\$ 1,575,591</b>	<b>\$ 7,807,303</b>

- Notes:           \*1 10% Administration is included in estimated total costs for children
- \*2. IHS fund is only available for direct program services.

The Division has assumed the following for calculation of the period FY00-04:  
 Alaska's Federal Medical Assistance Percentage (FMAP) will continue after FY2000 at the enhanced rate of 59.8% because Alaska's Congressional delegation will be effective at securing reauthorization due to enactment of this legislation. It is also assumed that the enhanced federal participation for the Title XXI funding will remain at the same 71.86% through FY04. The fiscal note also assumes an average of a 7% expenditure growth from fiscal year to fiscal year. This growth takes into account changes in the cost of medical services as well as changes in the utilization of medical services by both the clients and providers for the Child Health Initiative.

The details of the SMART START for Alaska's Families program are contained in the document "A Blueprint for Assuring Adequate Access to Health Care for Alaska's Uninsured Children and Pregnant Women." Copies are available at the Commissioner's Offices by calling in Juneau (907-465-3030) and Anchorage (907-269-7800).

# FISCAL NOTE

STATE OF ALASKA  
1998 LEGISLATIVE SESSION

Bill Version: CSSB266(HES)  
(S) Publish Date: 4/27/98

Revision Date: \_\_\_\_\_ Dept. Affected: Health and Social Services  
 Title: An Act relating to Medicaid coverage for certain BRU: Medical Assistance Administration  
eligible children; Component: Children's Health Eligibility  
 Sponsor: Senate Rules by Request of the Governor COMPONENT SERIAL NO. 2260  
 Requestor: Senate (HES) See also (SN#): 960,230,229

**Expenditures/Revenues:** (Thousands of Dollars)

OPERATING	FY99	FY00	FY01	FY02	FY03	FY04
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	960.7	987.1	1,057.1	1,132.2	1,212.6	1,298.7
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>960.7</b>	<b>987.1</b>	<b>1,057.1</b>	<b>1,132.2</b>	<b>1,212.6</b>	<b>1,298.7</b>

CAPITAL EXPENDITURES						
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CHANGES IN REVENUES ( )						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts	651.0	709.3	759.7	813.6	871.4	933.2
1003 GF Match	309.7	277.8	297.5	318.6	341.2	365.4
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (please specify)						
<b>TOTAL</b>	<b>960.7</b>	<b>987.1</b>	<b>1,057.1</b>	<b>1,132.2</b>	<b>1,212.6</b>	<b>1,298.7</b>

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of any current year (FY98) cost: \$0.0

**ANALYSIS:** (Attach a separate page if necessary)

The Balanced Budget Act of 1997 recently passed by Congress creates a new Title XXI of the Social Security Act, which allows states to use the new funds appropriated to either expand Medicaid eligibility for children, with an enhanced federal match for the expansion population, or to purchase health coverage, or both. The allocation of funds is made in the same proportion of the ratio of the number of low income children without insurance and the geographic variations in health costs. Alaska's allocation is 5.6 million with a federal match rate of 71.86%. No more than 10% of expenditures under the Title XXI block grant can be applied to administrative support and outreach.

Program implementation requires an eligibility determination and outreach process. The Division will evaluate the options available to determine the most cost effective method to implement this function. Extension of this health care coverage will result in one time programming changes to the state's eligibility and claims payment systems. Other one time costs will include furniture and equipment costs to support the staff processing the applications for decision.

Prepared by: Randy Super *BS* Phone: 465-5833  
 Division: Medical Assistance Date: 04/24/98  
 Approved by Commissioner: Karen Perdue, Commissioner Date: 4/22/98  
 Agency: Department of Health & Social Services

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**ANALYSIS (cont.):**

Under Federal law, initial applications processing may be performed outside of Public Assistance offices and by other State agency staff. The balance of the contractual costs are divided between contracting for this outstationed application intake and processing, and programming enhancements to the State's EIS and Claims payment systems.

The details of the SMART START for Alaska's Families program are contained in the document "A Blueprint for Assuring Adequate Access to Health Care for Alaska's Uninsured Children and Pregnant Women." Copies are available at the Commissioner's Offices by calling in Juneau (907-465-3030) and Anchorage (907-269-7800).

The Division has assumed the following for calculation of the period FY00-04: Alaska's Federal Medical Assistance Percentage (FMAP) for administration is 50%. It is also assumed that the enhanced federal participation for the Title XXI funding for the 10% administrative activities will remain at the same 71.86% through FY04. The fiscal note also assumes an average of a 7% expenditure growth from fiscal year to fiscal year which takes into account changes in the cost of medical assistance program administration.

The following distributes the Child Health Program Expenditures by source of funds by administration and program services. The administration and program services are further allocated between Title XIX Medicaid, Title XXI Child Health Initiative and Indian Health Service.

**Fiscal Year 1999: Projected Child Health and Pregnant Women Expenditures - 200% FPL**

Family Income Above Current Medicaid Standards	Children to 200% FPL	Pregnant Women to 200% FPL	Totals to 200% FPL
Uninsured	4,092	-	4,092
State GF	\$ 2,063,301	\$ -	2,063,301
Federal	\$ 6,704,732	\$ -	6,704,732
Total	\$ 8,768,033	\$ -	\$ 8,768,033 *1

**Source of Funds Analysis**

	GFM	FMAP	IHS	TOTALS
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Title XXI - Child Health Ins.	\$ 1,973,301	\$ 5,039,141	\$ -	\$ 7,012,443
Title XIX - IHS	\$ -	\$ -	\$ 1,575,591	\$ 1,575,591
Totals	\$ 2,063,301	\$ 5,129,141	\$ 1,575,591	\$ 8,768,033 *1

**Administration**

Title XIX - Medicaid	\$ 90,000	\$ 90,000	\$ -	\$ 180,000
Title XXI - Child Health Ins.	\$ 219,698	\$ 561,033	\$ -	\$ 780,730
Title XIX - IHS	\$ -	\$ -	\$ -	\$ -
Admin Totals	\$ 309,698	\$ 651,033	\$ -	\$ 960,730 *2

**Program**

Title XIX - Medicaid	\$ -	\$ -	\$ -	\$ -
Title XXI - Child Health Ins.	\$ 1,753,604	\$ 4,478,108	\$ -	\$ 6,231,712
Title XIX - IHS	\$ -	\$ -	\$ 1,575,591	\$ 1,575,591
Program Totals	\$ 1,753,604	\$ 4,478,108	\$ 1,575,591	\$ 7,807,303

Notes: \*1 10% Administration is included in estimated total costs for children

\*2. IHS fund is only available for direct program services.

**SB**

**273**

**HFIN**

**FILE**

# HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: March 9, 1998

FURTHER REFERRALS:

Date of Committee Action: 4/21/98

The FINANCE Committee considered:

CSSB 273(FIN) am

CS FOR SENATE BILL NO. 273(FIN) am

CHARITABLE GAMING

"An Act requiring that gross receipts and ideal gross be used to account for charitable gaming activities; making records received by the Department of Revenue under AS 05.15 subject to the laws relating to public records and providing that the Department of Revenue does not have to make those records available to the public until 90 days following the receipt of the records; requiring municipalities to provide to the state records concerning sales taxes assessed for charitable gaming activities; relating to requiring that a charitable share of charitable gaming receipts be dedicated to charitable uses; relating to reports required for charitable gaming activities; relating to payments to the state from gross receipts of charitable gaming; relating to contracts between operators or vendors and permittees; relating to licensing of multiple-beneficiary permittees and to the duties of a multiple-beneficiary permittee to each holder of the permit; requiring a person employed as a gaming manager to be certified by the state; limiting the expenditure of amounts of gross receipts and ideal gross required to be paid to permittees or retained by permittees; relating to the amount of gross receipts and prizes allowed under a permit or a multiple-beneficiary permit; allowing operators to pool gross receipts, prizes, and door prizes among permittees; and providing for an effective date."

recommends it be replaced

with the following committee substitute

<sup>HCS</sup>  
CS SB 273 (FIN)

the same title

a new title

additional referral to \_\_\_\_\_ Committee

attached amendment(s)

ADOPTS: \_\_\_\_\_ Letter of Intent

ATTACHES NEW FISCAL NOTE(s): (Dept) \_\_\_\_\_

APPROVES PREVIOUS: (Dept/Date) \_\_\_\_\_

fiscal note(s) \_\_\_\_\_

fiscal note(s) \_\_\_\_\_

zero fiscal note(s) \_\_\_\_\_

zero fiscal note(s) DOR, 2/27/98

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Gregg Thompson</i>			X	
<i>Robert Kelly</i>			✓	
<i>John ...</i>			✓	
<i>...</i>			X	
<i>...</i>			X	
<i>Larry ...</i>				X
<i>...</i>	X			

CHAIR'S SIGNATURE *Gregg Thompson*

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  
Division: Income and Excise Audit  
Approved by Commissioner: Wilson L. Condon *Wilson L. Condon*  
Agency: Revenue

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

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SENATE BILL 273  
CALCULATION OF THE VENDOR CHARITABLE SHARE

*Department of Revenue*

The Average Pull-Tab Prize Payout For 1995 Was <sup>2/10/98</sup> 76.6%.

Gross Income	100%
Average Pull-Tab Prize Payout	<u>76.6%</u>
Average Ideal Net	<u>23.4%</u>

Under The Current Law, Vendors Must Pay The Permittee No Less Than 70% Of The Ideal Net.

**AS 05.15.188**

If a permittee contracts with a vendor under (a) of this section, the contract must provide that the permittee shall receive no less than 70% of the ideal net.

To Determine The Percentage Of Gross That Is Used To Calculate A Charitable Share That Approximates The Permittees Share From A Vendor Under Current Law, It Is Necessary To Calculate The Permittees Share Of Ideal Net.

Average Ideal Net	23.4%
Times Permittees Share of Ideal Net	<u>x 70%</u>
Equals The % of Gross To Be Paid To The Permittee	<u>16.4%</u>
Rounded To	<u>16%</u>

The Minimum Percentage of Gross Income That Must Be Retained By The Permittee is Calculated As Follows:

	<u>PERCENTAGES</u>	<u>IN DOLLARS</u>	
	<u>SB 273</u>	<u>SB 273</u>	<u>CURRENT LAW</u>
Gross Income	100%	1000	1000
Prizes	<u>76.6%</u>	<u>766</u>	<u>766</u>
Adjusted Gross Income	<u>23.4%</u>	234	234
Charitable Share	<u>16%</u>	<u>160</u>	<u>164</u> *
Vendor Share	<u>7.0%</u>	<u>74</u>	<u>70</u> *
Total Share	<u>23.4%</u>	<u>234</u>	<u>234</u>

\* The Difference Between Expenses and the Charitable Share Are Due To Rounding.

SENATE FINANCE COMMITTEE  
**RELATIVE ALLOCATIONS OF PULL TAB DOLLARS WAGERED**

As of February 10, 1998

<u>Pull Tab</u>	<u>Prizes</u>		<u>Operating</u>		<u>Proceeds to Charity</u>		
<u>Gross</u>	<u>Rate</u>	<u>Payout</u>	<u>AGI</u>	<u>Costs</u>	<u>Amount</u>	<u>N Rate</u>	<u>G Rate</u>
100.0	66.7%	66.7	33.3	23.3	10.0	30.0%	10.00%
100.0	67.5%	67.5	32.5	22.8	9.8	30.0%	9.75%
100.0	68.3%	68.3	31.7	22.2	9.5	30.0%	9.50%
100.0	69.2%	69.2	30.8	21.6	9.3	30.0%	9.25%
100.0	70.0%	70.0	30.0	21.0	9.0	30.0%	9.00%
100.0	70.8%	70.8	29.2	20.4	8.8	30.0%	8.75%
100.0	71.7%	71.7	28.3	19.8	8.5	30.0%	8.50%
100.0	72.5%	72.5	27.5	19.3	8.3	30.0%	8.25%
100.0	73.3%	73.3	26.7	18.7	8.0	30.0%	8.00%
100.0	74.2%	74.2	25.8	18.1	7.8	30.0%	7.75%
100.0	75.0%	75.0	25.0	17.5	7.5	30.0%	7.50%
100.0	75.8%	75.8	24.2	16.9	7.3	30.0%	7.25%
100.0	76.7%	76.7	23.3	16.3	7.0	30.0%	7.00%
100.0	77.5%	77.5	22.5	15.8	6.8	30.0%	6.75%
100.0	78.3%	78.3	21.7	15.2	6.5	30.0%	6.50%
100.0	79.2%	79.2	20.8	14.6	6.3	30.0%	6.25%
100.0	80.0%	80.0	20.0	14.0	6.0	30.0%	6.00%
100.0	80.8%	80.8	19.2	13.4	5.8	30.0%	5.75%
100.0	81.7%	81.7	18.3	12.8	5.5	30.0%	5.50%
100.0	82.5%	82.5	17.5	12.3	5.3	30.0%	5.25%
100.0	83.3%	83.3	16.7	11.7	5.0	30.0%	5.00%
100.0	84.2%	84.2	15.8	11.1	4.8	30.0%	4.75%
100.0	85.0%	85.0	15.0	10.5	4.5	30.0%	4.50%
100.0	85.8%	85.8	14.2	9.9	4.3	30.0%	4.25%
100.0	86.7%	86.7	13.3	9.3	4.0	30.0%	4.00%
100.0	87.5%	87.5	12.5	8.7	3.8	30.0%	3.75%
100.0	88.3%	88.3	11.7	8.2	3.5	30.0%	3.50%
100.0	89.2%	89.2	10.8	7.6	3.2	30.0%	3.25%
100.0	90.0%	90.0	10.0	7.0	3.0	30.0%	3.00%
100.0	90.8%	90.8	9.2	6.4	2.7	30.0%	2.75%
100.0	91.7%	91.7	8.3	5.8	2.5	30.0%	2.50%
100.0	92.5%	92.5	7.5	5.2	2.3	30.0%	2.25%
100.0	93.3%	93.3	6.7	4.7	2.0	30.0%	2.00%

SENATE FINANCE COMMITTEE  
**1995 CHARITABLE GAMING SUMMARY**  
 Per the Charitable Gaming Division's 1995 Annual Report

	<u>Gross</u>	<u>Taxes</u>	<u>Prizes</u>	<u>% G</u>	<u>AGI</u>	<u>Expenses</u>	<u>Net</u>	<u>N%</u>	<u>G%</u>
<b><u>Pull-Tabs</u></b>									
Self Directed	92,216,767	312,946	71,237,343	77.2%	20,666,478	9,742,586	10,923,892	52.9%	11.8%
Operators	70,874,056	294,518	55,174,426	77.8%	15,405,112	11,277,410	4,127,702	26.8%	5.8%
MBPs	22,704,456	0	17,921,786	78.9%	4,782,670	2,970,246	1,812,424	37.9%	8.0%
Vendors	<u>22,300,699</u>	<u>26,986</u>	<u>17,083,015</u>	76.6%	<u>5,190,698</u>	<u>2,255,347</u>	<u>2,935,351</u>	56.6%	13.2%
<b><u>Total Pull-Tabs</u></b>	<u>208,095,978</u>	<u>634,450</u>	<u>161,416,570</u>	77.6%	<u>46,044,958</u>	<u>26,245,589</u>	<u>19,799,369</u>	43.0%	9.5%
<b><u>Bingo</u></b>									
Self Directed	27,476,997	80,155	21,482,115	78.2%	5,914,727	4,074,739	1,839,988	31.1%	6.7%
Operators (A)	17,870,863	5,006	16,051,167	89.8%	1,814,690	1,814,690	0	0.0%	0.0%
MBPs	<u>8,245,935</u>	<u>0</u>	<u>6,935,433</u>	84.1%	<u>1,310,502</u>	<u>1,259,724</u>	<u>50,778</u>	3.9%	0.6%
<b><u>Total Bingo</u></b>	<u>53,593,795</u>	<u>85,161</u>	<u>44,468,715</u>	83.0%	<u>9,039,919</u>	<u>7,149,153</u>	<u>1,890,766</u>	20.9%	3.5%
<b><u>Other Games</u></b>									
Self Directed	8,451,720	6,239	4,467,550	52.9%	3,977,931	1,296,456	2,681,475	67.4%	31.7%
Operators	101,000	75	79,383	78.6%	21,542	18,246	3,296	15.3%	3.3%
MBPs	51,032	0	19,652	38.5%	<u>31,380</u>	<u>15,507</u>	15,873	50.6%	31.1%
<b><u>Total Other Games</u></b>	<u>8,603,752</u>	<u>6,314</u>	<u>4,566,585</u>	53.1%	<u>4,030,853</u>	<u>1,330,209</u>	<u>2,700,644</u>	67.0%	31.4%
<b><u>Total 1995 Gaming</u></b>	<u>270,293,525</u>	<u>725,925</u>	<u>210,451,870</u>	77.9%	<u>59,115,730</u>	<u>34,724,951</u>	<u>24,390,779</u>	41.3%	9.0%
<b><u>Percentage of Total</u></b>	<u>100.0%</u>	<u>0.3%</u>	<u>77.9%</u>		<u>21.9%</u>	<u>12.8%</u>	<u>9.0%</u>		

Note (A) Operators reported a negative net proceeds of \$2,038,553. However, since there is no provision in law that allow negative net proceeds, this has been adjusted to zero. Accordingly, the total net proceeds for all 1995 Gaming has also been increased by an equivalent amount.

SENATE FINANCE COMMITTEE  
**1995 - 1996 CHARITABLE GAMING ACTIVITY**  
**BY PULL-TAB OPERATORS IN COMPLIANCE WITH CURRENT LAW**  
 Per the Department of Revenue's June 25, 1997 Presentation

<u>No</u>	<u>Location</u>	<u>Year</u>	<u>Gross</u>	<u>Rate</u>	<u>Prizes Amount</u>	<u>AGI</u>	<u>Operating Costs (A)</u>	<u>Payments to Charity (B)</u>			<u>SB 273 Impact (C)</u>	
								<u>Paid</u>	<u>N %</u>	<u>G %</u>	<u>Owed</u>	

**Notes**

- (A) Operating costs represent the difference between the amount actually paid to the charities and the adjusted gross income (AGI), irrespective of the expenses reported by the operator or the expenses allowed by law.
- (B) The percentages on net proceeds (N%) and gross receipts (G%) are computed based on the amount actually paid to charities. The amount owed represents the difference between the statutory minimum due under current law and the amount actually paid.
- (C) The impact of SB 273 is the amount of the Charitable Share that would exceed the amount actually paid plus the remaining amount owed under current law.

SENATE FINANCE COMMITTEE  
**1995 - 1996 CHARITABLE GAMING ACTIVITY**  
**BY PULL-TAB OPERATORS IN COMPLIANCE WITH CURRENT LAW**  
 Per the Department of Revenue's June 25, 1997 Presentation

No	Location	Year	Gross	Prizes		AGI	Operating Costs (A)	Payments to Charity (B)			SB 273 Impact (C)	
				Rate	Amount			Paid	N%	G%		Owed
25	Craig	1995	2,851,984	78.0%	2,225,374	626,610	331,290	295,320	47.1%	10.4%	0	0
25	Craig	1996	2,101,625	77.3%	1,625,499	476,126	292,851	183,275	38.5%	8.7%	0	0
19	Bethel	1995	2,024,656	76.5%	1,548,760	399,971	248,568	151,403	37.9%	7.5%	0	0
19	Bethel	1996	2,256,304	74.7%	1,685,050	486,643	331,825	154,818	31.8%	6.9%	0	3,123
23	Craig	1995	1,117,718	78.1%	873,044	244,674	166,997	77,677	31.7%	6.9%	0	563
23	Craig	1996	746,894	77.3%	577,582	169,312	115,907	53,405	31.5%	7.2%	0	0
16	Ketchikan	1995	5,604,363	77.2%	4,375,002	1,289,361	886,556	402,805	31.2%	7.1%	0	0
16	Ketchikan	1996	4,727,584	77.3%	3,656,638	1,070,946	746,452	324,494	30.3%	6.9%	0	6,437
1	Anchorage	1996	155,558	72.8%	113,228	42,330	29,551	12,779	30.2%	8.2%	0	0
20	North Pole	1996	4,311,865	76.4%	3,292,253	1,019,612	712,790	306,822	30.1%	7.1%	0	0
14	Fairbanks	1996	608,364	79.4%	482,947	125,417	87,730	37,687	30.0%	6.2%	0	4,898
20	North Pole	1995	4,020,557	76.3%	3,065,720	954,837	668,042	286,795	30.0%	7.1%	0	0
7	Anchorage	1995	398,231	75.1%	299,173	99,058	69,340	29,718	30.0%	7.5%	0	0
18	North Pole	1995	360,115	75.7%	272,643	87,472	61,230	26,242	30.0%	7.3%	0	0
5	Anchorage	1996	321,859	74.5%	239,850	82,009	57,406	24,603	30.0%	7.6%	0	0
18	North Pole	1996	382,761	74.2%	283,845	98,916	69,241	29,675	30.0%	7.8%	0	0
5	Anchorage	1995	331,436	75.6%	250,493	80,943	56,660	24,283	30.0%	7.3%	0	0
14	Fairbanks	1995	1,153,062	77.1%	888,614	264,448	185,114	79,334	30.0%	6.9%	0	1,380
12	Fairbanks	1995	2,529,319	75.3%	1,905,769	623,550	436,485	187,065	30.0%	7.4%	0	0
21	Petersburg	1996	419,116	78.3%	328,258	90,858	63,601	27,257	30.0%	6.5%	0	2,081
12	Fairbanks	1996	2,192,127	74.9%	1,641,793	550,334	385,234	165,100	30.0%	7.5%	0	0
4	Anchorage	1995	1,932,718	73.2%	1,415,284	517,434	362,204	155,230	30.0%	8.0%	0	0
7	Anchorage	1996	597,052	78.6%	468,985	128,067	89,647	38,420	30.0%	6.4%	0	3,374
24	Valdez	1995	371,989	72.1%	268,192	103,797	72,658	31,139	30.0%	8.4%	0	0
1	Anchorage	1995	202,694	72.6%	147,080	55,614	38,930	16,684	30.0%	8.2%	0	0
21	Petersburg	1995	293,363	77.7%	227,800	65,563	45,895	19,668	30.0%	6.7%	0	867
<b>Totals</b>			<b>42,073,314</b>	<b>76.8%</b>	<b>32,319,412</b>	<b>9,753,902</b>	<b>6,612,203</b>	<b>3,141,699</b>	<b>32.2%</b>	<b>7.5%</b>	<b>0</b>	<b>22,724</b>

SENATE FINANCE COMMITTEE  
**CS SB 273 (FIN) am SECTIONAL ANALYSIS**

March 6, 1998

- 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 (MBF) 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".

SENATE FINANCE COMMITTEE  
**CS SB 273 (FIN) am SECTIONAL ANALYSIS**

March 6, 1998

- 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; and
  - c. requiring the department to certify as a gaming manager a person who meets specified conditions.
- 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; and

SENATE FINANCE COMMITTEE  
**CS SB 273 (FIN) am SECTIONAL ANALYSIS**

March 6, 1998

- 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

SENATE FINANCE COMMITTEE  
**CS SB 273 (FIN) am SECTIONAL ANALYSIS**

March 6, 1998

- 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 bingo.

SENATE FINANCE COMMITTEE  
**CS SB 273 (FIN) am SECTIONAL ANALYSIS**

March 6, 1998

- Sec. 28:* Amends AS 05.15.166(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.

# STATE OF ALASKA

## DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

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JUNEAU, ALASKA 99811-0400  
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FACSIMILE: (907) 465-2389

March 4, 1998

The Honorable Bert Sharp  
Alaska State Legislature  
State Capitol  
Juneau, AK 99811-1182

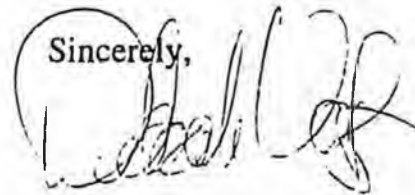
Dear Senator Sharp:

We have reviewed the Senate Finance Committee Substitute for SB 273 on Charitable Gaming. Our department strongly supports the amendments and the current version of this legislation. Departmental staff have worked closely with the committee and listened to issues raised by the gaming industry participants. SB 273 represents a good faith effort to simplify the administration of gaming while not changing the fiscal position of the non-profit permittees, the state or the gaming industry members.

The amendment would delete certain specific duties of a gaming manager in order to ensure that the public does not conclude that more individuals are required to be certified than is intended. We support the change with the understanding that regulations may require that individuals who must be certified as gaming managers may be required to perform the deleted duties.

Again I appreciate your efforts to follow through with the second part of changes to the charitable gaming program (CGP). The first part was a \$300,000 (33%) reduction in the operating CGD FY98 operating budget. The second part is legislation to simplify the regulation and administration of CGP.

Sincerely,



Wilson L. Condon  
Commissioner

98-015

MAT-SU VALLEY  
HUMANE SOCIETY  
F.O. Box 520208  
Big Lake, Alaska 99652  
Phone 892-6515

03-25-98

To: Mark Hanley  
From: Shirley Montgomery  
Subject: CSSP 273 (Fin)AM

Dear Mark Hanley,

I am a board member of the Mat-Su Valley Humane Society. I whole heartly oppose CSSP 273 (Fin) AM. I am satisfied with the way the gaming managers are running the gaming activities.

We at the Mat-Su Valley Humane Society depend on 60% of our operating budget from pull tabs.

Within our shelter we know the animals our depending on us (humans) to care for them. To see that there bowls have feed and water in them. To make sure they have heat. All this cost money. we are depending on our share of Pull-tabs.

We lost everthing in the Miller Reach Fire June 4th 1996 and are still trying to put everything togher completely.

I plead with you not to pass CSSP 273 (Fin) AM.

Sincerely,

*Shirley M. Montgomery*

(H) (FIN)  
H/1

## CHARITABLE GAMING TASK FORCE

September 11, 1995

Governor Tony Knowles  
State of Alaska  
State Capitol Building  
Juneau, Alaska 99801

Dear Governor Knowles,

At the end of January 1995 you asked fourteen citizens to evaluate the Alaska Statutes and Regulations on Games of Chance of Skill inherited by your administration and to present a report to the Commissioner of the Department of Revenue which would contain recommendations for the orderly oversight of charitable gaming in Alaska.

It is a pleasure to present our recommendations. This has been an energizing and fruitful experience for all. Thank you for your leadership on this important front. Your administration specifically as represented by Wilson Condon, commissioner of Revenue and Dennis Poshard, Director of the Division of Gaming, is to be congratulated for a refreshingly sincere approach in listening to the citizens of Alaska.

The Task Force is satisfied that the line of communication has been opened between the Division and the gaming industry and that many permittees and operators alike have become more fully informed, participating members of the charitable gaming community.

Along with our very real progress in simplifying and clarifying the regulations themselves, I feel the Task Force' existence has been justified by the improved atmosphere it leaves as its legacy -- an atmosphere of increased trust and cooperation in working toward the common goals of making charitable gaming more profitable for the nonprofits and accountable to the public.

If adopted, we expect these recommendations will go a long way toward solving the recent impasse between the gaming industry and the Department of Revenue. We also are including recommendations for important statutory changes necessary to make gaming more workable, as well as better regulated for the comfort level of everyone.

I am including a summary of our conclusions for your convenience. I think you will find our recommendations practical and generally acceptable. In the end there were very few sticking points between us.

The members of the Task Force have pledged themselves to stay involved until the task is completed with a revised set of regulations in place. We also intend to present our recommendations to the Legislature and to lobby for the improvements we wish to see.

I sincerely hope we have been a help to your administration, to the people of Alaska and to those participating in some capacity in the gaming industry. On behalf of the entire Task Force, it has been our pleasure to serve.

Sincerely,

Lanie Fleischer, Chair  
Charitable Gaming Task Force 1995

## Summary of Recommendations

- ① • The Task Force strongly recommends [11-2], the establishment of a "Gaming Commission". Attachment B provides a suggested structure for the Commission which should be removed from the political process. It is critical for success that rules are not arbitrary and/or changed as a straw in the wind with administrations or legislatures.
- ② • The Task Force unanimously recommends that immediate steps should be taken to establish a "level playing field" in the gaming industry where all market participants are required to meet the same minimum net percentages for like activities.
- ③ • It was the clear intent of the legislature that Operators and MBPs meet the same standards for returns to the Permittees, therefore, the Task Force unanimously recommends the Division take steps to ensure this happens.
- ④ • The Task Force strongly recommends that all requirements for conducting and reporting should be clearly and simply spelled out and enforced.
- ⑤ • The Task Force strongly recommends a return to pooling of income and expenses for Permittees in order to more equalize access to funding for Permittees and simplify accounting and auditing functions.
- ⑥ • The Task Force strongly recommends incorporating the limitations on Bingo sessions [AAC 160.580(d) & (e)] now observed voluntarily state-wide and commends the current cooperation among Bingo operators who developed those revisions and are abiding by them to maintain fair competition.
- ⑦ • The Task Force offers extensive re-writing of Articles 2, 5, 7, and section 160.995, "Definitions", in order to eliminate confusion, redundancy and sections not applicable to Alaska -- the goal was to recapture those former regulations that experience proved to be workable and to retain the workable sections of the 1994 regulations.
- ⑧ • The Task Force strongly recommends the legislature clarify the tax issues, specifically, defining whether or not pull-tab taxes qualify as state taxes in the calculation of adjusted gross income, and specifying in the statutes that communities which tax gaming proceeds base their tax on adjusted gross receipts rather than gross receipts.
- ⑨ • The Task Force recommends as strongly as possible that the Division of Gaming be funded at the level necessary to provide adequate enforcement.
- ⑩ • The Task Force recommends that the Department develop clear regulations allowing "sports boards" since this type of gaming has been conducted prior to 1959.

ROGER McCOY, RECENTLY COMPLETED FIVE YEARS EXPERIENCE IN THE OPERATION OF FOUR PULLTAB SALES OUTLETS FOR 7 NON-PROFIT ORGANIZATIONS.

ADDRESS THE INTENT AND LANGUAGE IN SENATE BILL 273 PERTAINING TO PULLTABS.

THE PRIMRY INTENT OF SENATE BILL 273 IS TO INCREASE WHAT A NON-PROFIT ORGANIZATION CURRENTLY RECEIVES IN REVENUE AND ASSURE THE PERMITTEE RECEIVES THIS MINIMUM AMOUNT IN A SPECIFIC TIME PERIOD FROM THE SALE OF PULLTABS WHETHER THE PULLTAB OUTLET IS A VENDOR, OPERATOR, MBP OR BY THE NON-PROFIT ORGANIZATION THEMSELVES THROUGH EMPLOYEES.

THE CHARITABLE SHARE PERCENTAGES ARE SET BASED ON THE NEW TERM AND DEFINITION OF GROSS RECEIPTS WHEN REFERENCE TO OPERATORS, MBP'S OR SELF-DIRECT SALES BY PERMITTEES. THIS PERCENTAGE RATE IS SET AT 7% OF THE GROSS RECEIPTS. IN THE CASE OF VENDORS, THE PERCENT IS BASED ON THE NEW TERM AND DEFINITION OF IDEAL GROSS SALES AND SET AT 16%.

CURRENT LAW TAKES INTO ACCOUNT THE ALLOWABLE EXPENSES FOR OPERATION OF EACH AND EVERY SALES OUTLET REGARDLESS OF WHERE THE SALES OUTLET IS IN THE STATE, FOR OPERATORS, MBP'S, AND SELF DIRECT SALES BY PERMITTEES. A MINIMUM OF 30% OF THE ADJUSTED GROSS WAS SET FOR THE NON-PROFIT ORGANIZATION. IN THE CASE OF VENDORS, A MINIMUM OF 70% WAS SET FOR THE NON-PROFIT ORGANIZATION AND A MAXIMUM OF 30% FOR THE VENDOR.

THIS BILL NO LONGER TAKES INTO ACCOUNT THE EXPENSE COST OF OPERATION BY OPERATORS, MBP'S OR SELF DIRECT SALES BY PERMITTEES, BUT DOES BASE THE PERMITTEES PROFIT PERCENTAGE, ALSO CALLED CHARITABLE SHARE, ON GROSS RECEIPTS OR IDEAL GROSS REGARDLESS OF THE LOCATION OR SALES WITHIN THE STATE. THERE IS ALSO LANGUAGE INSERTED THAT STATES THE DEPT. OF REVENUE WILL REVOKE THE PERMIT OF A VENDOR, OPERATOR, MBP, AND THE NON-PROFIT ORGANIZATIONS THEMSELVES IF THE SPECIFIC CHARITABLE

SHARE DUE TO THE PERMITTEES ARE NOT PAID WITHIN A SPECIFIC TIME PERIOD. THE DEPT. OF REVENUE DETERMINED THE CHARITABLE SHARE OF 7% PERCENT DUE TO PERMITTEES BY AVERAGING OPERATIONAL EXPENSES AND PAYOUT PRIZE WINNING EXPENSE FROM PULLTAB OUTLETS STATEWIDE. THIS AVERAGING WAS DONE BY USING EXPENSES REPORTED OVER TWO YEARS AGO. THE EXPENSE COSTS TO OPERATE HAVE INCREASED SINCE THEN. SINCE THE OPERATIONAL EXPENSES DIFFER FROM SALES OUTLET TO SALES OUTLET, COMMUNITY TO COMMUNITY, NONE ARE THE SAME. HOW CAN ONE STATEWIDE AVERAGE PAYOUT PERCENTAGE BE USED TO DETERMINE THE STATEWIDE PERCENTAGE TO A NON-PROFIT ORGANIZATION???? HOW CAN ONE STATEWIDE AVERAGE OPERATIONS EXPENSE BE USED IN COMMUNITIES THAT THE OPERATING EXPENSE IS HIGHER THEN OTHER AREAS.

BECAUSE OF THE METHOD USED IN THIS BILL TO ESTABLISH THE PERMITTEE CHARITABLE SHARE, VENDORS WILL NO LONGER SELL PULLTABS FOR NON-PROFIT ORGANIZATIONS. OPERATORS, MBP'S AND SELF DIRECT SALES BY PERMITTEES WILL NOT BE ABLE TO MEET OR PROVIDE THE 7% OF GROSS SALES TO THE NON-PROFIT ORGANIZATIONS WHICH WILL RESULT IN THE DEPT. OF REVENUE TO REVOKE THE PERMITS OF OPERATORS, MBP'S, AND THE NON-PROFIT ORGANIZATIONS THEMSELVES.

EXHIBITS:::::

EXAMPLES WERE PROVIDED TO YOU WHICH BREAKS DOWN THE SALES AND PROFIT OF TWO VERY COMMON GAME SERIES SOLD IN ALASKA. YOU WILL BE ABLE TO MAKE A COMPARISON OF PERCENTAGE TO PERMITTEES UNDER THE CURRENT LAW AND UNDER SENATE BILL 273.

I APPLIED THE PROPOSED LANGUAGE IN THIS BILL TO THE MONTHLY PULLTAB STORES OPERATIONS OF FOUR STORES OVER THE LAST COUPLE OF YEARS. THESE WERE STORES IN WHICH I WAS PERSONALLY INVOLVED WITH. ONLY ONE STORE DURING THAT PERIOD WAS ABLE TO MEET THE MINIMUM CHARITABLE SHARE OF 7% PERCENT OF THE GROSS SALES AND THAT WAS FOR ONLY TWO MONTHS.

THIS IS A ~~GOOD~~ BILL WITH GOOD INTENTIONS BUT USING AN UNFAIR AND IMPROPER METHOD TO DETERMINE CHARITABLE SHARE OF 7% PERCENT FOR PERMITTEES THROUGH OPERATORS, MBP'S AND SELF-DIRECT PERMITTEE OPERATIONS, AND 16% PERCENT CHARITABLE SHARE OF IDEAL GROSS SALES THROUGH VENDORS.

THIS BILL WILL DESTROY PULLTAB SALES NOT ONLY FOR OPERATORS, AND MBP'S, BUT ALSO FOR THE NON-PROFIT ORGANIZATIONS.

THIS BILL WILL WORK AFTER APPROXIMATELY 90% OF THE PULLTAB SALES OUTLETS CLOSE THEIR DOORS. THE REMAINING 10% OF OUTLETS SHOULD BE ABLE TO MAKE IT SINCE ALL OF THE COMPETITION WILL NO LONGER BE IN BUSINESS.

WHAT DOES THIS DO TO THE NON-PROFIT ORGANIZATIONS STATEWIDE WHO RELY ON PULLTAB REVENUE AND NO LONGER WILL BE RECEIVING IT???? WHAT DOES THIS DO TO ALL OF THE EMPLOYEES OF OPERATORS, MBP'S AND SELF DIRECT PERMITTEE OUTLETS STATEWIDE WHO NO LONGER HAVE EMPLOYMENT?????

WHAT DOES THIS DO TO THE GAMING DISTRIBUTORS STATEWIDE WHO HAVE THOUSANDS AND THOUSANDS OF DOLLARS INVESTED IN GAME STOCK AND CAN NOT SELL IT??

Jean Eyre

4-1-98

I'm the Parent President of the Juneau Center Head Start. We the Parents have fundraisers so the children can be involved in activities that have a price. One of the fundraisers we have are raffles. If we spend \$30.00 on a raffle, then make \$30.00 over the cost, there's a profit of \$30.00. However if this bill passes, we will lose \$24.00.

Thank You

Jean Eyre

Roger McCoy 4-1-98

SALES EXAMPLES BY VENDORS:

GAME OF CRISS CROSS,  
2,219 PULLTABS, @ \$1.00 EACH

CURRENT LAW

GROSS SALES	\$2,219.00
WINNERS PAYOUT	1,840.00
IDEAL NET	379.00
PERMITTEE RECEIVES 70% OF IDEAL NET.	265.30
PERMITTEE EXPENSE IS PURCHASE OF GAME, STATE TAX, AND SALES TAX. TOTAL \$160.95. PERMITTEE RECEIVES PROFIT OF \$104.35. VENDOR RECEIVES 30% OF IDEAL NET \$113.70.	

SENATE BILL 273

IDEAL GROSS SALES	\$2,219.00
WINNERS PAYOUT	1,840.00
NET PROFIT	379.00
PERMITTEE 16% OF IDEAL GROSS	355.04
PERMITTEE EXPENSE IS THE SAME AS UNDER CURRENT LAW. TOTAL EXPENSE \$160.95. PERMITTEE RECEIVES PROFIT OF \$194.09. VENDOR RECEIVES BALANCE OF NET PROFIT: \$23.96	

GAME OF COUNTRY CRISS CROSS  
2,369 PULLTABS, @ \$1.00 EACH

CURRENT LAW

GROSS SALES	\$2,369.00
WINNERS PAYOUT	1,975.00
IDEAL NET	400.00
PERMITTEE RECEIVES 70% OF THE IDEAL NET	280.00
PERMITTEE EXPENSE IS COST OF GAME, STATE TAX, AND LOCAL SALES TAX WHICH TOTALS \$170.45. PERMITTEE RECEIVES PROFIT OF \$ 109.55. VENDOR RECEIVES 30% OF IDEAL NET WHICH IS \$120.00.	

SENATE BILL 273

IDEAL GROSS	\$2,369.00
WINNERS PAYOUT	1,975.00
NET PROFIT	400.00
PERMITTEE RECEIVES 16% OF THE IDEAL GROSS.	379.04
PERMITTEE EXPENSE IS SAME AS UNDER CURRENT LAW WHICH IS \$170.45. PERMITTEE RECEIVES PROFIT OF \$208.59. VENDOR RECEIVES BALANCE OF NET PROFIT WHICH IS \$20.96.	



# House Finance Committee

SUBJECT OF MEETING:

SB273 & HB12

DATE: April 1, 98

PLACE: Cap 519

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?	WHAT SUBJECT/ WHICH BILL?
<i>Craig W. ...</i>	ANB Camp #2	320 W. Willoughby <sup>SE 100</sup>	99801	586 2049	790 2678	X N	SB273
Melinda Brown	ANB #2	320 W. Willoughby	99801	586-2049	790-2678	Y N	SB 273
Kim Brown	ANB #2	320 W. Willoughby	99801	586 2045	787 0996	Y N	SB 273
Angela Porter	ANB #2	320 W. Willoughby	99801	586 2049	NONE	Y N	SB 273
Anna Wallace	ANB #2	P.O. Box 20478	99801	586 1798		Y N	SB 273
<sup>Held</sup> Steve Early	ANB/MCA	320 W Willoughby	99801	586 5546	586 3546	Y N	SB-273
Angelina Lundy	ANB Camp #2	320 W. Willoughby	99801	740-3535	586-2049	X N	SB 273
Norman Vonda	ANB #2	302 W Willoughby	99801	586-2041	780-4512	Y N	SB 273
<i>Rachel ...</i>	Tabs Administrator of FA/Alaska	5331 SHAWNEE DRIVE	99801	780-4588	780-9285	Y N	SB 273
<i>Mike ...</i>	Loom 100	8535 AIRBORNE WAY	99801	787 9155	789 1371	Y N	SB 273
<i>Wm ...</i>	JYAC	3192 PIONEER AVE	99801	586-2926	463-7201	(Y) N	SB 273

04/01/98  
13:58:00

LEGISLATIVE TELECONFERENCE NETWORK SYSTEM  
PARTICIPANT LIST (TESTIFIERS ONLY)  
SCHEDULED FOR: 04/01/98 13:30 TO 16:00  
PUBLIC HEARING HOUSE FINANCE

LTN1150  
BY: JNU  
FOR: ALL

TCN: 80589

243-7003  
337 9681

LOCATION: ANCHORAGE

SB 273	JOHN	LOPEZ	AK BINGO SUPPLY	TESTIFY
SB 273	MARK	MARCOTT	ASYMCA	TESTIFY
SB 273	BRIAN	DAVIES		TESTIFY
SB 273	MICHAEL	SLEZAK	RIPPPIE WORLD II	TESTIFY
SB 273	ESTY	SHEMTOV		TESTIFY
SB 273	DOUG	ASKERMAN		TESTIFY
SB 273	PERRY	GREEN		TESTIFY

LOCATION: FAIRBANKS

SB 273	MS.	NETTIE	MORMON	TESTIFY
SB 273	MR.	LARRY	HACKENMILLER	TESTIFY
SB 273	MR.	DAVID	LAMBERT	TESTIFY
SB 273	MS.	TABER	REHBAUM	TESTIFY
SB 273	MR.	DICK	BISHOP	TESTIFY

LOCATION: KENAI

SB 273	MR.	MICHAEL	TRUJILLO	TESTIFY
SB 273	MR.	FRANK	BISHOP	SELF TESTIFY

LOCATION: KODIAK

SB 273	MR	EARL	MICKELSON	TESTIFY
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LOCATION: KETCHIKAN

SB 273	MR	GREGORY	PETERSON	BUSINESS TESTIFY
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LOCATION: MATSU

SB 273	MS	SHIRLEY	MONTGOMERY	TESTIFY
SB 273	MS	MICHELLE	DUBOOSE	TESTIFY
SB 273	MR	DEAN	BABCOCK	TESTIFY
SB 273	MS	MARY	BABCOCK	TESTIFY
SB 273	MS	MINNIE	FISHER	TESTIFY

ROBERT MONTGOMERY

NINILCHICK

- ROBY SCHMIDTBALDR
- ELMER BANTA
- GEORGIA HAMILTON (SP?)
- DANNY DARROIDA
- LAURA BIAS

SENATE FINANCE COMMITTEE  
**RELATIVE ALLOCATIONS OF PULL TAB DOLLARS WAGERED**

As of February 10, 1998

<i><b>Pull Tab</b></i>	<i><b>Prizes</b></i>		<i><b>Operating</b></i>		<i><b>Proceeds to Charity</b></i>		
<i><b>Gross</b></i>	<i><b>Rate</b></i>	<i><b>Payout</b></i>	<i><b>AGI</b></i>	<i><b>Costs</b></i>	<i><b>Amount</b></i>	<i><b>N Rate</b></i>	<i><b>G Rate</b></i>
100.0	94.2%	94.2	5.8	4.1	1.8	30.0%	1.75%
100.0	95.0%	95.0	5.0	3.5	1.5	30.0%	1.50%
100.0	95.8%	95.8	4.2	2.9	1.3	30.0%	1.25%
100.0	96.7%	96.7	3.3	2.3	1.0	30.0%	1.00%
100.0	97.5%	97.5	2.5	1.7	0.7	30.0%	0.75%
100.0	98.3%	98.3	1.7	1.2	0.5	30.0%	0.50%
100.0	99.2%	99.2	0.8	0.6	0.2	30.0%	0.25%
100.0	100.0%	100.0	0.0	0.0	0.0	30.0%	0.00%

SENATE BILL 273  
CALCULATION OF THE BINGO CHARITABLE SHARE

*Department of Revenue*

*2/10/98*

Under The Current Law, Bingo Prizes Are Limited On An Annual Basis to 85% Of Gross Income.

**15 AAC 160.600**

The annual prize payout for bingo conducted under a permit issued under AS 05.15 may not exceed 85 percent of the gross receipts from bingo activity.

The Bingo Prize Limitation Ensures That Adjusted Gross Income From Bingo is at least 15%.

Bingo Gross Income	100%
Bingo Prize Limitation	<u>85%</u>
Bingo Adjusted Gross Income	<u>15%</u>

Under The Current Law, Bingo Expenses Are Limited To Ensure That 10% Of Adjusted Gross Income Is Retained By The Permittee.

**AS 05.15.160(d)**

The total amount of authorized expenses that may be incurred under (a) of this section in connection with any gaming activity other than pull-tabs may not exceed 90 percent of the adjusted gross income from that activity.

To Determine The Percentage Of Gross That Is Used To Calculate A Charitable Share That Approximates The Permittees Share Under Current Law, It is Necessary To Calculate The Expense Limitation Under A Percentage Of Gross System.

Bingo Adjusted Gross Income	15%
Expenses limited to 90% thus remaining 10% is minimum charitable share	<u>        </u> x 10%
Equals The % Of Gross Expense Limitation	<u>1.5%</u>

The Minimum Percentage of Bingo Gross Income That Must Retained By The Permittee is Calculated As Follows:

	<u>PERCENTAGES</u>	<u>IN DOLLARS</u>	
	<u>SB 273</u>	<u>SB 273</u>	<u>CURRENT LAW</u>
Gross Income	100%	1000	1000
Prizes	<u>85%</u>	<u>850</u>	<u>850</u>
Adjusted Gross Income	15%	150	150
Expenses	<u>13.5%</u>	<u>135</u>	<u>135</u>
Charitable Share	<u>1.5%</u>	<u>15</u>	<u>15</u>

SENATE FINANCE COMMITTEE  
**1995 - 1996 CHARITABLE GAMING ACTIVITY**  
**BY PULL-TAB OPERATORS NOT IN COMPLIANCE WITH CURRENT LAW**  
 Per the Department of Revenue's June 25, 1997 Presentation

No	Location	Year	Gross	Prizes		AGI	Operating Costs (A)	Payments to Charity (B)			SB 273 Impact (C)	
				Rate	Amount			Paid	N %	G %		Owed
27	Ketchikan	1996	385,884	74.3%	286,698	99,186	69,679	29,507	29.7%	7.6%	0	0
15	Juneau	1995	1,427,896	75.0%	1,071,594	299,186	215,055	84,131	28.1%	5.9%	10,197	10,197
8	Anchorage	1996	19,129	76.0%	14,545	4,584	3,305	1,279	27.9%	6.7%	0	0
24	Valdez	1996	389,847	73.7%	287,301	102,546	74,169	28,377	27.7%	7.3%	2,387	0
15	Juneau	1996	1,117,658	72.1%	805,724	267,228	197,062	70,166	26.3%	6.3%	10,002	0
28	Nome	1996	357,756	75.5%	270,004	73,442	56,733	16,709	22.8%	4.7%	5,324	3,010
4	Anchorage	1996	<u>2,006,190</u>	73.1%	<u>1,467,247</u>	<u>538,943</u>	<u>450,822</u>	<u>88,121</u>	<u>16.4%</u>	<u>4.4%</u>	<u>73,562</u>	<u>0</u>
<b>Totals</b>			<b><u>5,704,360</u></b>	<b>73.7%</b>	<b><u>4,203,113</u></b>	<b><u>1,385,115</u></b>	<b><u>1,066,825</u></b>	<b><u>318,290</u></b>	<b>23.0%</b>	<b>5.6%</b>	<b><u>97,245</u></b>	<b><u>13,207</u></b>

**Notes**

- (A) Operating costs represent the difference between the amount actually paid to the charities and the adjusted gross income (AGI), irrespective of the expenses reported by the operator or the expenses allowed by law.
- (B) The percentages on net proceeds (N%) and gross receipts (G%) are computed based on the amount actually paid to charities. The amount owed represents the difference between the statutory minimum due under current law and the amount actually paid.
- (C) The impact of SB 273 is the amount of the Charitable Share that would exceed the amount actually paid plus the remaining amount owed under current law.

# ALASKA BINGO SUPPLY, INC.

3707 Woodland Drive #3 • Anchorage, Alaska 99517  
Office: (907) 243-7003 • In State: 800-478-7003 • Out of State: 800-544-2248 • Fax: (907) 248-0895

March 31, 1998

Honorable Representatives Therriault, Hanley, and Committee Members,

Thank you for the opportunity to comment.

Senate Bill 273's Sponsor Statement states, "this legislation is intended to maintain the status quo with respect to the relative amounts returned to the charities for charitable uses."

A recent conversation with Larry Meyers, Director of the Income Excise and Audit Division of the Department of Revenue, indicates just to the contrary. Mr. Meyers stated to me that the Gaming Unit had run numbers that indicated that this bill would reduce the number of gaming outlets. He further stated; that he believed there is an over saturation of locations in the state, and there will be consolidation due to the percentage of gross concept.

This thought process is in direct contradiction of the Sponsor Statement. It also is a reversal from the policy of not limiting the number of charities that benefit from gaming proceeds.

Consideration must be given to the following:

- The number and names of charities that shall fall out of compliance
- The different scales of economy that will be harmed by this new bill
- Associated costs of doing business for different gaming outlets,
- The bad commercial fishing year in the rural communities,
- The loss of benefits to Alaska charities and to Alaska as a whole,
- How this creates a strain on the charitable share.

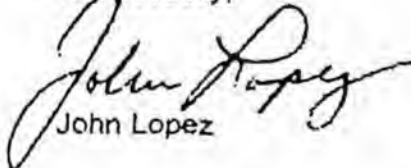
The percentage of gross will need to be a lower percentage to allow for economic changes, competition etc. Especially, if the legislature intends not to reduce the number of non-profits that participate in charitable gaming.

I urge you to ask the Gaming Unit the number and names of the charities that will be out of compliance by the implementation of this bill.

Daily, I find out that my customers think this bill is innocuous to them, because they hear the terminology "Revenue Neutral" or "Status Quo". They then check their gaming reports and want to call it the "Demise of Charitable Gaming".

Please refer this bill for further reconsideration and future hearings.

Respectfully,

  
John Lopez



P. 01

**ANCHORAGE**  
**ARMED SERVICES YMCA of the USA**  
P.O. Box 272 • Elmendorf Air Force Base, Alaska 99505  
Telephone: (907) 552-9822 / 552-4888  
Fax: (907) 552-4851 • E-mail: [asymca@online.com](mailto:asymca@online.com)



Honorary Life Members

Arvin H. Fleetwood  
Jim R. McGonrick

### Armed Services YMCA Position on SB 273

The Armed Services YMCA recommends that no change be made to (Sec 05.15.188) the present Statue.

The Question was asked? For all the Pull Tab games played for the Armed Services YMCA last year by vendors, what is the **percent of the ideal gross** that you would need to receive to be revenue neutral when compared to the current system based on a "weighted average" ?

The "weighted average" would need to be 18.6%.

However, the **percent of the ideal gross** varies from 15.9% to 23.2% depending on the particular game. Games are constantly being discontinued and new ones brought onto the market. Vendors change games with the desires of the customers. With all these unknowns the **percent of the ideal gross for future games and markets is a guess**. Under the current system, after prize pay out (net), the Non-Profit knows they will receive 70% of the net no matter what game was played. *This is a fair, equitable and simple system.*

The Armed Services YMCA recommends that no change be made to (Sec 05.15.188) the present Statue, thus allowing the 70 / 30 split of the Net between Permittees and Vendors to remain unchanged.

Serving those who serve America,

Mark K. Marcott  
Associate Executive Director and  
Primary Member in Charge of Gaming

Many factors must be taken into consideration on which pull tab games to play at a Vendor location: Number of Cards in the Game, Prizes Awarded, Gross Income, Vendor Compensation, Win Ratio, and of course Income to the Charity.

Considering the above, and with over seven years experience with Vendor Locations, the games which are successful have an Adjusted Gross Income from about 23.5% to 27% per game.

Below are all the different games that were played in the Permit year 1996 as reported in March 1997. Gaming for 1997 has not yet been reported. However basically the same games were played in 1997

Game	<u>Current System</u>			<u>Under Bill 273</u>			Negative Impact to Charity
	Ideal Net	ASYMCA 70%	Vendor 30%	Gross	ASYMCA 16%	Vendor	
Rising Star	\$ 1,390	\$ 973	\$ 417.00	\$ 4,200	\$ 672.00	\$ 718	-\$ 301.00
Mush	\$ 1,275	\$ 892.50	\$ 382.50	\$ 5,615	\$ 898.40	\$ 376.60	+\$ 5.90
Cherry Bells	\$ 1,039	\$ 727.30	\$ 311.70	\$ 3,839	\$ 614.24	\$ 424.76	-\$ 113.06
Alaska Treasure	\$ 1,409	\$ 986.30	\$ 422.70	\$ 4,416	\$ 706.56	\$ 702.44	-\$ 279.74
Cherry Master	\$ 1,070	\$ 749.00	\$ 321.00	\$ 3,960	\$ 633.60	\$ 436.40	-\$ 115.40
Wild 7's	\$ 1,044	\$ 730.80	\$ 313.20	\$ 3,960	\$ 633.60	\$ 410.40	-\$ 97.20
Diamonds	\$ 1,169	\$ 818.30	\$ 350.70	\$ 3,999	\$ 639.84	\$ 529.10	-\$ 178.46
Alaska Heat	\$ 670.	\$ 469	\$ 201	\$ 2,580	\$ 412	\$ 258	-\$ 57
Alaska Sunset	\$ 1,160	\$ 812	\$ 348	\$ 4,800	\$ 768	\$ 392	-\$ 44
Santa 7's	\$ 1,084	\$ 758.80	\$ 325.20	\$ 3,984	\$ 637.44	\$ 446.56	-\$ 121.36

Based on 1996 Revenue:

Present Status	-----	\$ 73,988.00	net to the Armed Services YMCA
Proposed Status	-----	\$ 62,890.00	would have been the net to the Armed Services YMCA
Difference / Impact	--	\$ 11,098.00	net loss to the Armed Services YMCA

#3 failed

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE MARTIN

TO: CSSB 273(FIN) am

1 Page 2, following line 27, following "groups;":

2 Insert "at a minimum, the department shall

3 (A) require that the charitable share be segregated and  
4 maintained in a gaming account separate from other funds received,  
5 handled, or maintained by the permittee;

6 (B) prohibit the transfer of the charitable share to another  
7 account or fund of the permittee; and

8 (C) require that expenditures of the charitable share be  
9 made directly from the gaming account to uses authorized under  
10 AS 05.15.150;"

#4  
~~11/11/98~~

Failed

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE MARTIN

TO: CSSB 273(FIN) am

- 1 Page 8, line 6:
- 2 Delete "seven"
- 3 Insert "eight and one-half"
  
- 4 Page 9, line 1:
- 5 Delete "seven"
- 6 Insert "eight and one-half"
  
- 7 Page 11, line 7:
- 8 Delete "seven"
- 9 Insert "eight and one-half"

#5  
w/d

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE MULDER

TO: CSSB 273(FIN) am

- 1 Page 14, line 25:
- 2 Delete "16"
- 3 Insert "18"

nology

#2

0-LS0859\TA.4  
Luckhaupt  
4/17/98

AMENDMENT ~~1111~~

OFFERED IN THE HOUSE

TO: CSSB 273(FIN) am

- 1 Page 14, line 25:
- 2 Delete "16"
- 3 Insert "17" 18

# 1  
~~XXXXXX~~

AMENDMENT

A dopted

OFFERED IN THE HOUSE

TO: CSSB 273(FIN) am

- 1 Page 8, line 5:
- 2 Delete "one and one-half"
- 3 Insert "two"
  
- 4 Page 8, line 6:
- 5 Delete "seven"
- 6 Insert "six and one-half"
  
- 7 Page 8, following line 8:
- 8 Insert a new bill section to read:
- 9 **\*\* Sec. 15.** AS 05.15.128(a) is amended to read:
- 10 (a) The department shall revoke the license of an operator who does not on
- 11 an annual basis pay at least the following minimum charitable shares to each
- 12 authorizing permittee:
- 13 (1) two percent of the gross receipts from bingo;
- 14 (2) seven [SIX AND ONE-HALF] percent of the gross receipts from
- 15 a pull-tab game; and
- 16 (3) 10 percent of the gross receipts from an activity other than bingo
- 17 or pull-tab games."
  
- 18 Renumber the following bill sections accordingly.
  
- 19 Page 8, line 31:
- 20 Delete "one and one-half"
- 21 Insert "two"

1 Page 9, line 1:

2 Delete "seven"

3 Insert "six and one-half"

4 Page 9, following line 20:

5 Insert a new bill section to read:

6 **"\* Sec. 19.** AS 05.15.145(e) is amended to read:

7 (e) The department shall revoke a multiple-beneficiary permit if on an annual  
8 basis at least the following minimum charitable shares are not distributed to the  
9 holders of the multiple-beneficiary permit:

10 (1) two percent of the gross receipts from bingo;

11 (2) seven [SIX AND ONE-HALF] percent of the gross receipts from  
12 pull-tab games; and

13 (3) 10 percent of the gross receipts from an activity other than bingo  
14 or pull-tab games."

15 Renumber the following bill sections accordingly.

16 Page 11, line 6:

17 Delete "one and one-half"

18 Insert "two"

19 Page 11, line 7:

20 Delete "seven"

21 Insert "six and one-half"

22 Page 11, following line 12:

23 Insert a new bill section to read:

24 **"\* Sec. 23.** AS 05.15.155 is amended to read:

25 **Sec. 05.15.155. Required charitable share from activities conducted by**  
26 **permittees.** The department shall revoke the permit of a municipality or qualified  
27 organization that fails on an annual basis to retain at least the following minimum

1 charitable shares:

2 (1) two percent of the gross receipts from bingo;

3 (2) seven [SIX AND ONE-HALF] percent of the

4 (A) gross receipts from pull-tab games not conducted by a

5 vendor; and

6 (B) ideal gross from pull-tab games conducted by a vendor;

7 and

8 (3) 10 percent of the gross receipts from an activity other than bingo

9 or pull-tab games."

10 Renumber the following bill sections accordingly.

11 Page 15, line 26:

12 Delete "sec. 36"

13 Insert "sec. 39"

14 Page 15, line 29:

15 Delete "sec. 35"

16 Insert "secs. 15, 19, 23, and 38"

17 Page 15, following line 29:

18 Insert a new bill section to read:

19 **\*\* Sec. 40.** Sections 15, 19, and 23 take effect January 1, 2000."

20 Renumber the following bill section accordingly.

21 Page 15, line 30:

22 Delete "Section 35"

23 Insert "Section 38"



# House Finance Committee

DATE: 4-1-94

PLACE: CAP 519

SUBJECT OF MEETING:

SB 273 741512

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?	WHICH SUBJECT/WHICH BILL?
Roger McCoy	NON-PROFITS	8608 MARILYN AVE. JUNEAU	99801	787-4022		(Y) N	SB 273
Mike Windrod	Alaska Travel JUNEAU AVA	9085 Glacier Hwy Suite 201 JUNEAU AK 99801	99801	780-4385	789-0052	(X) N	12(FIN)
Constance Munn	Non profits + Self	120W 9th St, Juneau	99801	5863194		(Y) N	SB 273
Burt Henderson	Phil Kat Guides Ltd.	Box 170 Haines AK	99827		766-2491	(Y) N	HB 12
Brett Carlson	Northern Alaska Tour Company	PO Box 82991 Fairbanks, AK 99708	99708	<del>474-5800</del>	474-5800	(Y) N	12(FIN)
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	

**SB**

**273**

**SFIN**

**FILE**

# SENATE COMMITTEE REPORT

## First Committee of Referral

DATE: 2/2/98

FURTHER:

878 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>Hell 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

FISCAL NOTE

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 if 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

0-LS0859\R.3  
Amendment Number: 2 Luckhaupt  
Bill Number: SB 273 2/17/98  
Sponsor: Sharp Date: 2/18/98  
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: Costantini

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: SB 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"