

ALASKA LEGISLATURE COMMITTEE FILES 1985-1986 80/2

3319

HJUD

HB 247

195

1 activity for more than one authorizing permittee in a 24-hour period.

2 (b) An operator shall pay the authorizing permittee the net  
3 proceeds from an activity within 15 calendar days after the date of  
4 the activity. The payment shall be made by check, and the operator  
5 shall obtain a signed receipt from the authorizing permittee. The  
6 authorizing permittee shall keep a copy of the receipt for its re-  
7 cords.

8 (c) An authorizing permittee shall designate a representative as  
9 its agent to work with the operator. The representative of a quali-  
10 fied organization shall be a bona fide member in good standing of the  
11 organization. The representative is entitled to access to all books  
12 and records of the operator relating to the activity conducted by the  
13 operator for the authorizing permittee. The commissioner may order  
14 the production of the books and records of an operator if the operator  
15 does not voluntarily make them available to the representative.

16 (d) If the department finds that an operator has incurred ex-  
17 penses that are not authorized under AS 05.15.160(a), or has incurred  
18 expenses in excess of the amount authorized under AS 05.15.160(b), or  
19 has paid an authorizing permittee less than the minimum amount of net  
20 proceeds required by AS 05.15.163, the department shall order the  
21 operator to refund to the authorizing permittee the amount of the  
22 unauthorized expenses, or the difference between the minimum amount of  
23 net proceeds set under AS 05.15.163 and the amount of the net proceeds  
24 actually paid, whichever is greater. The operator shall pay the  
25 authorizing permittee interest on the amount ordered to be paid at the  
26 rate of 1.5 percent a month for each month or fraction of a month  
27 between the date of the activity and the date the refund is made.

28 (e) The name of the operator and the name of each authorizing  
29 permittee on whose behalf an activity is conducted must be disclosed

1 in each advertisement of an activity. The operator shall post its  
2 operator's permit and a copy of the permit of the authorizing per-  
3 mittee at the location of the activity.

4 \* Sec. 19. AS 05.15.180(a) is amended to read:

5 (a) This [EXCEPT AS PROVIDED IN AS 05.15.100(b), THIS] chapter  
6 does not authorize the use of [PLAYING CARDS, DICE, ROULETTE WHEELS,  
7 COIN-OPERATED] instruments, [OR] machines, or other objects [OR IN-  
8 STRUMENTS] used, designed, or intended primarily for gaming or gam-  
9 bling unless [OR ANY OTHER METHOD OR IMPLEMENT NOT] expressly au-  
10 thorized by regulation and used in an activity authorized under this  
11 chapter [THE COMMISSIONER].

12 \* Sec. 20. AS 05.15 is amended by adding a new section to read:

13 Sec. 05.15.185. PULL-TAB GAMES. (a) A person may not dis-  
14 tribute pull-tab games to another person in this state for use within  
15 this state, unless the person first obtains a license from the commis-  
16 sioner authorizing that person to distribute pull-tab games in the  
17 state.

18 (b) All pull-tabs distributed in the state by a person licensed  
19 by the commissioner shall be numbered, and each set of pull-tabs shall  
20 be sealed and marked with a numbered label purchased by the licensee  
21 from the department.

22 (c) A person licensed under this section may distribute pull-tab  
23 games only to a municipality or a qualified organization that has  
24 obtained a permit authorizing it to conduct a pull-tab game under this  
25 chapter.

26 (d) A person licensed by the commissioner to distribute pull-tab  
27 games in the state shall

28 (1) pay an annual fee of \$1000; and

29 (2) report, as required by the commissioner, for all pull-

1 tab games distributed in the state, the name of the permittee to whom  
2 th games are distributed, the numbers on the pull-tabs, and the  
3 number on the label marking each set of pull-tabs.

4 (e) The commissioner may suspend or revoke a license issued  
5 under this section if the licensee fails to comply with the require-  
6 ments of this section.

7 (f) In this section, "distribute" means to sell, distribute,  
8 furnish, or supply.

9 \* Sec. 21. AS 05.15.200(b) is repealed and reenacted to read:

10 (b) If a person wilfully makes and signs an application, report  
11 or other document required under this chapter that contains a written  
12 declaration that it is made under the penalty of perjury and the  
13 person does not believe the declaration to be true, the person is  
14 guilty of perjury.

15 \* Sec. 22. AS 05.15.210(6) is amended to read:

16 (6) "dog mushers' contest" means a game of chance [CONTEST]  
17 in which prizes are awarded for the correct guess of the racing time  
18 of a dog team or of team position in the race [, INCLUDING PRIZES TO  
19 THE RACE CONTESTANTS];

20 \* Sec. 23. AS 05.15.210(12) is amended to read:

21 (12) "ice classic" means a game of chance in which a prize  
22 of money is awarded for the closest guess of the time the ice moves in  
23 a body of water or watercourse in the state [AND IS LIMITED TO THE  
24 NENANA AND CHENA ICE POOLS IN THE SAME MANNER AS THEY WERE CONDUCTED  
25 IN 1959 AND PREVIOUS YEARS];

26 \* Sec. 24. AS 05.15.210(15) is repealed and reenacted to read:

27 (15) "net proceeds" means the gross receipts from an autho-  
28 rized activity less the fee described in AS 05.15.020(c), the expenses  
29 authorized by AS 05.15.160(a), and the prizes awarded at the activity;

1 \* Sec. 25. AS 05.15.210(18) is repealed and reenacted to read:

2 (18) "political organization" means a candidate who, or a  
3 group that, has registered and filed with the Alaska Public Offices  
4 Commission as required by AS 15.13.050 and 15.13.060, or a candidate  
5 for nomination or election to the Presidency or the Vice-Presidency of  
6 the United States or the U.S. Congress, or an authorized committee of  
7 a candidate for national office;

8 \* Sec. 26. AS 05.15.210(19) is repealed and reenacted to read:

9 (19) "qualified organization" means a domestic corporation  
10 organized under AS 10.20 that has been in existence for three years  
11 after the issuance of its certificate of incorporation, a religious  
12 corporation formed under AS 10.40 that has been in existence for three  
13 years after the date of filing its articles of incorporation, a labor  
14 organization that has been in existence for three years, or a politi-  
15 cal party as defined in AS 15.60.010;

16 \* Sec. 27. AS 05.15.210(20) is amended to read:

17 (20) "raffle and lottery" means the selling of rights to  
18 participate, and the awarding of prizes [, IN THE SPECIFIED KINDS OF  
19 GAMES OF CHANCE SOMETIMES KNOWN AS PULL-TAB GAMES IN WHICH THE PRICE  
20 OF EACH CHANCE IS \$2 OR LESS AND] in the specified kind of game of  
21 chance sometimes known as a raffle or lottery, conducted by the draw-  
22 ing for prizes by chance;

23 \* Sec. 28. AS 05.15.210 is amended by adding new paragraphs to read:

24 (24) "authorizing permittee" means a municipality or qual-  
25 ified organization that authorizes an operator to conduct on its  
26 behalf an activity subject to this chapter;

27 (25) "commissioner" means the commissioner of revenue;

28 (26) "department" means the Department of Revenue;

29 (27) "established village" means an unincorporated community

1 where 25 or more people reside permanently as a social unit;

2 (28) "local government" means an established village or  
3 municipality, except for the unorganized borough, that covers or is  
4 within five miles of the site of an activity that is the subject of a  
5 permit or application for a permit under this chapter;

6 (29) "operator" means a natural person who, or a municipal-  
7 ity or qualified organization that, has obtained a permit authorizing  
8 it to operate an activity subject to this chapter on behalf of another  
9 permittee;

10 (30) "pull-tab game" means a game of chance where a card,  
11 the face of which is covered to conceal a number, symbol, or set of  
12 symbols, is purchased by the participant for a price of \$2 or less and  
13 where a prize is awarded for a card containing certain numbers or  
14 symbols designated in advance and at random.

15 \* Sec. 29. AS 05.15.180, 05.15.210(2), (3), (4), (5), (7), (8), (9),  
16 (10), (17), (22), and (23) are repealed.

AMENDMENT #5

TO: HB 247

By Gruenberg  
Offered in the Judiciary Committee

The following changes are to be considered together as a single amendment:

1. Page 1, lines 19 - 20. Strike "except a raffle permitted under AS 05.15.100 (c).
2. Page 7, lines 14 - 16. Strike "An operator's permit may not be issued under (d) of this section for a raffle permitted under this subsection."
3. Page 12, lines 21 - 23, amend to read:

"(24) 'authorizing permittee' means a municipally qualified organization, or political organization that authorizes an operator to conduct on its behalf an activity subject to this chapter;"

Comment: There is no good reason to prohibit political organizations from having properly permitted operators to conduct raffles. Many political organizations (including groups and candidates) lack the time and expertise to conduct raffles. They should be authorized to employ operators.

AMENDMENT #4

TO: HB 247

BY: Gruenberg  
Offered in the Judiciary Committee

Page 7, line 13 delete "three" and insert "six".

Comment: Will allow small political organizations and political organizations in large districts with many small communities to conduct up to six raffles per year.

*Adopted*

AMENDMENT #2

TO: HB 247

BY: Gruenberg  
Offered in the Judiciary Committee

Page 6, line 22, between "treasurer" and "of" insert "or candidate".

Comment: Allows political candidates themselves, as well as campaign treasurers, to sign applications and reports for raffles.

adopted

a prearranged arrangement of numbers on the card;

(2) "charitable organization" means an organization, not for pecuniary profit, which is operated for the relief of poverty, disease, or other afflictions of public concern in the state, and which has been so engaged for five years before applying for a permit under this chapter;

(3) "civil service organization" means an organization of chapter 9, a national or state organization which is a civil service organization, not for pecuniary profit, and authorized by its written constitution, charter or articles of incorporation or by laws to engage in fraternal, civil or service activities in the state and which has been so engaged for five years before applying for a license under this chapter;

(4) "contest of skill" means a contest or game in which prizes are awarded for the demonstration of human skills in marksmanship, races and other athletic events;

(5) "dog masters' association" means a civil, service or charitable organization in the state, not for pecuniary profit, formed exclusively to promote interest in the breeding and training of dog teams for work or recreational and racing purposes and which has been in existence for five years before applying for a permit under this chapter, but does not include an organization formed or operated for gaming or gambling purposes;

(6) "dog masters' contest" means a contest in which prizes are awarded for the speed of the dog in the race, including prizes to the race contestants;

(7) "educational organization" means a civil, service or charitable organization in the state, not for pecuniary profit, whose primary purpose is educational in nature and designed to develop the capabilities of individuals by instruction and which has been in existence for five years before applying for a license under this chapter;

(8) "fishing derby" means a civil, service or charitable organization in the state, not for pecuniary profit, whose primary purpose is to promote interest in fishing for recreational purposes and which has been in existence for five years before applying for a permit under this chapter, but does not include an organization formed or operated for gaming or gambling purposes;

(9) "horse race" means a contest in which prizes are awarded for the speed of a horse;

(10) "labor organization" means a civil, service or charitable organization in the state, not for pecuniary profit, which is organized in the state for the purpose of representing its members in their dealings with their employers;

(11) "lottery" means a game of chance in which a prize of money is awarded for the choice of numbers of the time the lottery is held by the state or watercourse in the state and is limited to the Normal and General Lotto in the same manner as they were conducted in 1959 and previous years;

(12) "mutual organization" means an organization, not for pecuniary profit, constituted wholly or partly to benefit individuals connected with employers, including the state and its political subdivisions, concerning grievances, terms or conditions of employment or other mutual aid or protection in connection with employers;

(13) "municipality" means a political subdivision of the state that is a home rule or general law city or borough or a unified municipality;

(14) "gross receipts" means the gross receipts less expenses, principalities, or charges, fees and deductions which are specifically authorized in this chapter;

(15) "numbers wheel" means any electronic, mechanical, or other device with numbers or other figures that are selected randomly and used in a game of chance in which the outcome is determined by the number or figure selected by the device; not including games in which a hamster or other animal is placed in an enclosure with several numbered exit holes and the winner is determined by which hole the hamster or other animal exits, or slot machines or other devices that operate by insertion of a coin or other object that may entitle the person operating the machine to receive a prize by strict dependence on the element of chance;

(16) "public or fire department and company" means a civil, service or charitable organization in the state, not for pecuniary profit, established by the state or a political subdivision of the state which has been in existence for five years before applying for a license under this chapter;

(17) "political organization" means an organization, not for pecuniary profit, organized under or formally affiliated with a political party or political group;

(18) "school fraternity" means a fraternal organization, not for pecuniary profit, which is organized for the common business, brotherhood, or state interest of its members and which has so existed for five years before applying for a license;

(19) "game of chance" means a game of chance in which a prize of money is awarded for the choice of numbers of the time the lottery is held by the state or watercourse in the state and is limited to the Normal and General Lotto in the same manner as they were conducted in 1959 and previous years;

(20) "organization" means an organization, not for pecuniary profit, constituted wholly or partly to benefit individuals connected with employers, including the state and its political subdivisions, concerning grievances, terms or conditions of employment or other mutual aid or protection in connection with employers;

school fraternity, not for pecuniary profit, which is organized for the common business, brotherhood, or state interest of its members and which has so existed for five years before applying for a license;

(11) "game of chance" means a game of chance in which a prize of money is awarded for the choice of numbers of the time the lottery is held by the state or watercourse in the state and is limited to the Normal and General Lotto in the same manner as they were conducted in 1959 and previous years;

(12) "mutual organization" means an organization, not for pecuniary profit, constituted wholly or partly to benefit individuals connected with employers, including the state and its political subdivisions, concerning grievances, terms or conditions of employment or other mutual aid or protection in connection with employers;

(13) "municipality" means a political subdivision of the state that is a home rule or general law city or borough or a unified municipality;

(14) "gross receipts" means the gross receipts less expenses, principalities, or charges, fees and deductions which are specifically authorized in this chapter;

(15) "numbers wheel" means any electronic, mechanical, or other device with numbers or other figures that are selected randomly and used in a game of chance in which the outcome is determined by the number or figure selected by the device; not including games in which a hamster or other animal is placed in an enclosure with several numbered exit holes and the winner is determined by which hole the hamster or other animal exits, or slot machines or other devices that operate by insertion of a coin or other object that may entitle the person operating the machine to receive a prize by strict dependence on the element of chance;

(16) "public or fire department and company" means a civil, service or charitable organization in the state, not for pecuniary profit, established by the state or a political subdivision of the state which has been in existence for five years before applying for a license under this chapter;

(17) "political organization" means an organization, not for pecuniary profit, organized under or formally affiliated with a political party or political group;

(18) "school fraternity" means a fraternal organization, not for pecuniary profit, which is organized for the common business, brotherhood, or state interest of its members and which has so existed for five years before applying for a license;

(19) "game of chance" means a game of chance in which a prize of money is awarded for the choice of numbers of the time the lottery is held by the state or watercourse in the state and is limited to the Normal and General Lotto in the same manner as they were conducted in 1959 and previous years;

(20) "organization" means an organization, not for pecuniary profit, constituted wholly or partly to benefit individuals connected with employers, including the state and its political subdivisions, concerning grievances, terms or conditions of employment or other mutual aid or protection in connection with employers;

COMMITTEE REPORT

HOUSE

JUDICIARY

(7)

FURTHER: FINANCE

2/27/85

Date: April 7, 1985

Mr. Speaker:

The Committee on STATE AFFAIRS has had HB 247

"An Act relating to games of chance and contests of skill; and providing for an effective date."

under consideration and reports it back as follows:

- do pass  do not pass
- do pass with attached amendments(s)
- replace with CS for STATE AFFAIRS (S)  same title  
 new title
- and recommends \_\_\_\_\_
- AND attaches a "Letter of Intent"  New Fiscal Note *Sup 41*
- reports it back without recommendation  Zero Fiscal Note Attached
- referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

ALLEY *Shirley H. ...*  
*W. W. ...*  
 \_\_\_\_\_  
 \_\_\_\_\_  
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 \_\_\_\_\_  
 \_\_\_\_\_  
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MEMBERS HAVING  
OTHER RECOMMENDATIONS:

*...*  
*...*  
*...*  
*...*  
 \_\_\_\_\_  
 \_\_\_\_\_

*Katie ...*  
 \_\_\_\_\_  
 CHAIRMAN

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date 3/21/85

REQUEST

Bill/Resolution No: <sup>CS</sup> HB247 (SA)  
Title: An Act Relating to Games of  
Chance & Skill & Providing for an  
Effective Date  
Sponsor: Governor  
Requestor:  
Date of Request:

FISCAL DETAIL

Agency Affected: Revenue  
Program Category Affected: General  
Government  
BRU, Program or Subprogram(s) Affected:  
Public Services Operating & Public  
Services Data & Word Processing

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES	-	183.8	196.7	210.5	225.3	241.1
200 TRAVEL	-	32.	34.3	36.7	39.3	42.1
300 CONTRACTUAL	-	27.4	29.4	31.5	33.8	36.2
400 SUPPLIES	-	1.5	1.7	1.9	2.1	2.3
500 EQUIPMENT	-	8.9	9.6	10.3	11.1	11.9
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<b>TOTAL OPERATING</b>	-	253.6	271.7	290.9	311.6	333.6
<b>CAPITAL</b>	-	-	-	-	-	-
<b>REVENUE</b>	-	192.4	206.2	221.6	238.5	257.1

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	61.2	65.5	69.3	73.1	76.5
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
<b>TOTAL</b>	-	61.2	65.5	69.3	73.1	76.5

POSITIONS:

FULL-TIME	-	5	5	5	5	5
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

1. License fee: \$50 per non-profit; \$200 per operator; \$100 per distributor
2. 1 1/2% tax
3. Sale of seals for pull tabs

See revenue figures above.

ANALYSIS: Attach a separate page for analysis.

Fiscal Note  
HB247  
March 21, 1985

Prepared By: *Ed Smith*  
Division: Public Services

Phone: 465-2392

Date: 21 March 1985

Approved by Commissioner: *Henry A. Sturdak*  
Agency: Department of Revenue

Date: 3/22/85

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Public Services Division BRU  
Fiscal Note Analysis

ASSUMPTIONS

850 permit holders  
Bill will go into effect July 1, 1985

PROGRAM SUMMARY

Administration of Games of Chance and Contests of Skill (AS 05.15) rests with the Public Services Division. Essentially, no field enforcement has been employed in past years. Gambling in Alaska has grown substantially in recent years with an even more accelerated growth expected. There is a definite need to provide for some control before gambling reaches a level that would prohibit any control.

This legislation would allow funding for an educational enforcement program. Field investigators would review gaming operations to ensure compliance with existing law. The tax examiners will be used to issue permits and review monthly and annual financial statements to ensure proper use of funds derived from gaming, and to ensure that the state receives the proper fee.

100 PERSONAL SERVICES

2 Investigator II	3,662 @ 24 months	\$ 87,888
2 Tax Examiner II	2,854 @ 24 months	68,496
1 Clerk Typist III	2,284 @ 12 months	<u>\$ 27,408</u>

TOTAL \$183,528

Five employees are necessary to properly review 850 permit applications and conduct approximately 40 field examinations of financial records per year.

200 TRAVEL

Investigative trips	\$ 26,576
Educational trips	3,096
Investigator training trips	<u>\$ 2,328</u>

TOTAL \$ 32,000

Three types of travel are outlined for the investigators. The investigative/audit travel consists of reviewing the operations of games and conducting audits of the financial records of permit holders. Educational trips will be made for the purpose of providing permit holders with the information they need to comply with Alaska statutes and regulations. Training-related travel is needed to provide investigators with current gaming enforcement and education methods.

Fiscal Note HB247  
March 21, 1985

300 CONTRACTUAL

Pull tab stamp	\$ 625
Printing cost for forms	2,000
Communications	<u>\$ 3,800</u>

TOTAL	\$ 6,425
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400 SUPPLIES

Stationery and office supplies	<u>\$ 1,500</u>
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TOTAL	\$ 1,500
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500 EQUIPMENT

Office equipment (desks, chairs, calculators and filing cabinets)	<u>\$ 8,865</u>
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The five positions will each require a locking file cabinet in which to store monthly reports and distributor's reports.

TOTAL	\$ 8,865
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PUBLIC SERVICES OPERATING TOTAL	\$232,318
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The following funds would be allocated to Data Processing within the Public Services Division for the operation of the Gaming Enforcement Unit.

300 CONTRACTUAL

Equipment, rental fees and maintenance fees	<u>\$ 21,000</u>
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DATA PROCESSING TOTAL	\$ 21,000
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Three Wang work stations, one printer and one central processing unit are needed for the Gaming Enforcement Unit. One work station will be used in the Anchorage Field Office and two work stations will be used in the Juneau Field Office. The Wang equipment will be used to file financial reports which will be data captured for financial analysis, and will also be used for word processing functions.

TOTAL PUBLIC SERVICES OPERATING AND DATA PROCESSING	<u>\$253,318</u>
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STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date \_\_\_\_\_

REQUEST Page 1 of 3  
 BILL/Resolution No: HB 247  
 Title: An Act Relating to Games of Chance & Skill & Provide for effective date  
 Sponsor: \_\_\_\_\_  
 Requestor: \_\_\_\_\_  
 Date of Request: \_\_\_\_\_

FISCAL DETAIL  
 Agency Affected: Revenue  
 Program Category Affected: Revenue Collection & Management  
 BRU, Program or Subprogram(s) Affected: Public Services Division BRU

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES	-	32.8	33.7	34.2	34.7	35.2
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	2.6	3.0	3.5	4.0	4.1
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	4.5	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	39.9	36.7	37.7	38.7	39.3
<b>CAPITAL</b>						
	-	-	-	-	-	-
<b>REVENUE</b>						
	-	192.4	206.2	221.6	238.5	257.1

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	39.9	36.7	37.7	38.7	39.3
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

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

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

- License fee: \$50 per non-profit; \$200 per operator; \$100 per distributor
- 1 1/2% tax
- Sale of seals for pull tabs

See revenue figures above.

ANALYSIS: Attach a separate page for analysis.

Prepared By: Sally Smith  
 Division: Public Services

Phone: 465-2392  
 Date: \_\_\_\_\_

Approved by Commissioner: [Signature]  
 Agency: Revenue

Date: 2/19/85

Public Services Division BRU  
Fiscal Note Analysis

Administration of Games of Chance and Contests of Skill (AS 05.15) rests with the Public Services Division. Gambling in Alaska has grown substantially in recent years with an even more accelerating growth expected. There is a definite need to provide for some control before it reaches a level that would prohibit any control.

The tax examiner requested will be used to handle the increase in paperwork resulting from the change in reporting requirements by the permit holders from yearly to monthly. Also, this tax examiner will handle the new paperwork connected with licensing distributors and issuing pull tab seals.

100 PERSONAL SERVICES

Sections 6 and 8 mandate new monthly and annual reporting requirements. As there are over 700 permittees, a tax examiner will be needed to examine monthly reports and annual reconciliations, review security or bonding documents, perform financial analysis on WANG, issue permits, answer correspondence, follow-up on minor complaints, and assist field investigators as needed.

1	Tax Examiner II	2,733 @ 12 mos.	\$32,796
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Total Annual Wages & Benefits	\$32,796
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300 CONTRACTUAL

Printing costs are for new forms for distributors. Pull tab seals are estimated at \$.25 each and would be recouped by selling them to the distributors.

Pull Tab Stamp	\$ 525
Printing cost for forms	\$ <u>2,000</u>

Total Contractual	\$ 2,635
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500 EQUIPMENT

File cabinets will be used to store monthly reports and distributor reports

Office equipment (desk, chair, calculator)	\$ 900
File cabinets	\$ <u>3,600</u>

Total Equipment	\$ <u>4,500</u>
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Total	\$39,921
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# MEMORANDUM

State of Alaska

TO: The Honorable Katie Hurley  
Alaska State Representative

DATE: March 29, 1985

FILE NO:

TELEPHONE NO: 465-2392

FROM: Sally Smith *Sally*  
Director of Public Services  
Department of Revenue

SUBJECT: Monthly Reporting of  
Games of Chance  
HB247

Because of the concern expressed over monthly reporting, we have drafted an example (attached) of the form for your review. So the Committee may make a comparison, I have also attached copies of the annual reporting form currently in use. We hope these will be helpful in your deliberations.

Attachments

**AUTHORIZED GAMES OF CHANCE AND SKILL  
ANNUAL FINANCIAL STATEMENT**

Return To:  
Alaska Department of Revenue  
Public Services Division  
Games of Chance and Skill  
Pouch SA  
Juneau, Alaska 99811-0400

AS 05.15.010 - 05.15.210

Calendar Year  
19\_\_\_\_  
DUE DATE: JANUARY 31

Name of Organization	Permit Number
Mailing Address (Street Address or P.O. Box, City, State, Zip Code)	

**CALCULATION OF CURRENT YEAR NET PROCEEDS**

1. Total Gross Receipts (from page 2, Schedule A, line 9) .....	1	\$	
2. Total Game Prizes Awarded (from page 2, Schedule B, line 11) .....	2	\$	
3. Total Game Related Expenses (from page 3, Schedule C, line 19) .....	3		
4. Total Prizes and Expenses (Add lines 2 and 3) .....	4		
5. Current Year Net Proceeds Before 1% Fee (Subtract line 4 from line 1; enter difference here) .....	5		
6. 1% of Net Proceeds Due with this Statement (Multiply line 5 by .01; enter amount here) Do not send payment if less than \$1.00. ....	6	<b>AMOUNT DUE</b> ▶	
7. Current Year Net Proceeds After Deduction of 1% Fee (Subtract line 6 from line 5. Enter here and on line 9 below) .....	7		

**RECONCILIATION OF FUNDS**

8. Prior Year Balance of Games of Chance and Skill Account .....	8	
9. Current Year Net Proceeds (from line 7 above) .....	9	
10. Total Net Proceeds Available for Disbursement (Add lines 8 and 9) .....	10	
11. Total Dedications of Net Proceeds (Enter total from page 7, Schedule D) Must be disbursed according to law. See AS 05.15.150 and 15 AAC 105.280 .....	11	
12. Year-End Balance of Games of Chance and Skill Fund as of December 31. (Subtract line 11 from line 10; enter difference here) .....	12	\$

I declare under penalty of perjury that I have examined this Financial Statement, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete.

Officer's Signature and Title	Date	Member in Charge of Games	Date
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**SCHEDULE A. TOTAL GROSS RECEIPTS Authorized Games of Chance and Skill**

List only that income received as a direct result of the games, or sale of gaming equipment. Membership dues, donations, food booth receipts, etc. can not be included in this report.

Name of Organization	Permit Number
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1. Gross receipts from Bingo .....	1	\$	
2. Gross receipts from Raffles and Lotteries .....	2		
2A. Gross receipts from Pull-tabs .....	2A		
3. Gross receipts from Monte Carlo .....	3		
4. Gross receipts from Contests of Skill .....	4		
5. Gross receipts from Dog Musers' Contests .....	5		
6. Gross receipts from Fish Derbies .....			
A. Receipts from ticket sales .....	6A		
B. Receipts from sale of fish .....	6B		
7. Gross receipts from Ice Classics .....	7		
8. Gross receipts from Rain Classics .....	8		
9. Sale of game equipment and/or supplies .....	9		
10. Total Gross Receipts (Add lines 1 - 9; enter here and on page 1, line 1) .....	10	\$	

**SCHEDULE B. GAME PRIZES AWARDED Authorized Games of Chance and Skill**

On lines 1-9 list the total cost to the permittee organization of all prizes awarded during the year. On line 10, list the total market value of these prizes, including the value of prizes donated in part or in whole. NOTE: Schedule E. Prize Listing must also be completed.

GAME	CASH AND NEGOTIABLE INSTRUMENTS	MERCHANDISE	REAL ESTATE	TROPHY		TOTAL BY GAME
1. Bingo					1	
2. Raffles and Lotteries					2	
3. Monte Carlo					3	
4. Contests of Skill					4	
5. Dog Musers' Contests					5	
6. Fish Derbies					6	
7. Ice Classics					7	
8. Rain Classics					8	
9.					9	
10. Total Market Value by Category (Include donations)						
11. Enter amount of Total Prizes on page 1, line 2 .....						\$
<b>TOTAL PRIZES</b> Add lines 1-9						

**SCHEDULE C. GAME RELATED EXPENSES Authorized Games of Chance and Skill**

**IMPORTANT: SEE PAGE 4 FOR INSTRUCTIONS.**

Enter only those expenses that are game related. Please see the back of this schedule for line-by-line instructions.

Name of Organization	Permit Number
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**1. Computation of Proration Factor for Building Rent and Expenses**

(a) Total hours building and/or equipment was used by permittee for games during the year.	(b) Total hours building and/or equipment was available for any use by permittee this year.	(c) Proration factor to four decimal places.
1(a)	÷	1(b)
	=	1(c)

**2. Building Rent. (Allowed only if building was not owned by permittee organization)**

(a) Total Rent Paid	(b) Proration Factor from line 1(c)	(c) Allowable Building Rent Expense
2(a) \$	×	2(b)
	=	2(c) \$

**Building Expenses. (Allowed only if building was owned by permittee organization)**

3. Repairs and Maintenance .....	3	\$
4. Utilities .....	4	\$
5. Building Depreciation (See Instructions on back) .....	5	\$

(a) Add lines 3-5	(b) Proration Factor from line 1(c)	(c) Allowable Building Expense
6(a) \$	×	6(b)
	=	6(c) \$

6. Total Building Expense .....

**Other Expenses**

7. Postage and Stationery .....	7	\$
8. Freight .....	8	\$
9. Printing of Tickets or Cards .....	9	\$
10. Advertising for Games .....	10	\$
11. Accounting .....	11	\$
12. Non-Alcoholic Refreshments for Games .....	12	\$
13. Permit Fees (Please see Instructions) .....	13	\$
14. Equipment Actually Purchased for Games .....	14	\$
15. Repairs for Damages to Equipment Used for Games .....	15	\$
16. Wages (from Schedule C-1) .....	16	\$
17. Miscellaneous expenses directly relating to games only (List in detail on separate sheet) .....	17	\$

18. Total Other Expenses (Add lines 7-17; enter here) .....	18	\$
19. Total Game Related Expenses (Add lines 2(c), or 6(c) and 18; enter here and on page 1, line 3) .....	19	\$

## INSTRUCTIONS FOR SCHEDULE C. GAME RELATED EXPENSES

### UNAUTHORIZED EXPENSES

Only reasonable and necessary expenses of the games may be deducted as game related expenses. Rental fees and lease agreements which provide for exorbitant returns to the owner or lessor of the property, and contractual agreements which provide for exorbitant compensation for individuals, will be deemed a violation of the regulations and may be cause for suspension or revocation of a permit.

Unauthorized expenses are defined by Alaska regulation 15 AAC 105.220 as those not directly related to the operation of the games. These unauthorized expenses include but are not limited to, payment for:

- (1) expenses on buildings except as specifically provided for on a pro-rata basis;
- (2) mortgage or interest payments;
- (3) purchase of furniture, fixtures or equipment, except those necessary for the operation of the games and used exclusively for the games;
- (4) payments to members as gifts, excluding authorized prizes;
- (5) travel or per diem expenses outside the state under any circumstances;
- (6) organization membership fees to national or international, affiliated or unaffiliated, organizations;
- (7) personal or organizational vehicle expenses;
- (8) consultant fees paid to a member or paid for a member's benefit;
- (9) legal fees paid to a member for services or paid for a member's benefit.
- (10) organizational advertising or notices;
- (11) organizational entertainment; e.g. picnics, dinners, parties, etc.
- (12) organizational accounting or other operating expenses except those directly related to the operation of the games;
- (13) taxes on real or personal property and taxes based on net income;
- (14) purchase of alcoholic beverages.

### COMPUTATION OF PRORATION FACTOR

Line 1(a). Enter the total hours during the year for which the building space was actually used for authorized games of chance and skill.

Line 1(b). Enter the number of hours the building space was available for any use during the year. To calculate this number, multiply the maximum use factor of 14 hours per day by the total number of days the building space was owned or rented during the year.

#### EXAMPLES:

**BUILDING RENTED ON OCCASIONAL BASIS.** If a permittee rents building space on an occasional basis, specifically for the purpose of holding games, then 100% of the rental expenses would be allowed as game related expenses. Thus, if a building was rented for four hours a week, or 208 hours during the year, and was used exclusively for authorized games of chance and skill for 208 hours during the year, the proration factor arrived at on line 1(c) would be 1.0000.

**BUILDING LEASED OR RENTED ON MONTHLY BASIS.** If a permittee rents building space on a lease basis or a month-by-month basis, then the amount entered on line 1(a) would include only the actual time the building or hall was used specifically for the holding of authorized games of chance and skill. Time used for club meetings, potluck dinners, etc. of the organization would not be included. Calculate line 1(b) by multiplying the maximum use factor of 14 hours a day by the number of days the building was leased or rented.

**BUILDING OWNED BY PERMITTEE.** If the permittee owns the building, line 1(a) is determined in the same way as described above for a building rented on a monthly basis. Calculate line 1(b) by multiplying the maximum use factor of 14 hours a day by the number of days the building was owned. For example, bingo games are conducted by a permittee in a building owned by the organization. The games are conducted two nights a week at five hours per

night, for a total of 520 hours during the year. Using a maximum use factor of 14 hours a day times 365 days in the year, the building was available a total of 5110 hours for all uses. Dividing hours used for the games (520) by the total hours available for all uses (5110) gives a proration factor of .1018.

### BUILDING RENT EXPENSES

Line 2(a). Enter the total rent paid during the year for the building or hall used for games of chance and skill.

Line 2(b). Enter the proration factor from line 1(c).

Line 2(c). Multiply total rent paid (line 2(a)) by the proration factor (line 2(b)) and enter the result here. This is the allowable building rent expense.

### BUILDING EXPENSES ON BUILDINGS OWNED BY PERMITTEES

Line 3. Repairs and Maintenance. Enter the total repair and maintenance costs of the building owned by the permittee that is used for authorized games of chance and skill.

Line 4. Utilities. Enter the total utilities cost (electricity, etc.) of the building owned by the permittee that is used for authorized games of chance and skill.

Line 5. Building Depreciation. Enter the total depreciation expense of the building owned by the permittee that is used for authorized games of chance and skill. NOTE: For depreciation purposes, the life of the building must be the guideline life provided in the Internal Revenue Code, and the only approved method of depreciation is straight line.

Line 6(a). Add lines 3, 4 and 5. Enter the total here.

Line 6(b). Enter the proration factor from line 1(c).

Line 6(c). Multiply the total building expense (line 6(a)) by the proration factor (line 6(b)) and enter the result here. This is the allowable building expense.

### OTHER EXPENSES

Enter the costs of each item described on lines 7-17 only as they directly relate to operation of the authorized games of chance and skill. For a further explanation of certain line items, please refer to the notes below.

Line 8. Freight. Enter the total freight cost which is directly related to authorized games of chance and skill; e.g. freight paid on bingo equipment.

Line 11. Accounting. Enter the cost of accounting services directly related to authorized games of chance and skill or related to the financial statements required by the Department of Revenue.

Line 12. Non-Alcoholic Refreshments for Games. Enter the total cost of non-alcoholic refreshments served during authorized games of chance and skill. NOTE: Alaska regulation 15 AAC 105.110(12) provides that "no game of bingo shall be held, operated or conducted under any permit, in any room, enclosure or outdoor area where alcoholic beverages are sold, served or consumed during the progress of the bingo game."

Line 13. Permit Fees. Enter the fees paid during the year for an authorized games of chance and skill permit. This includes the \$20.00 initial fee paid for your current permit, and the 1% of net proceeds fee paid this year for your prior year's permit.

Line 14. Equipment Actually Purchased for Games. Enter the total cost of equipment purchased for and necessary to the operation of games and used exclusively for games; e.g. bingo rolling cage, dart boards, etc.

Line 15. Repairs for Damages to Equipment Used for Games. Enter the total repair cost for damage to items of equipment which qualify for expense under line 14.

Line 17. Miscellaneous Expenses. These may be deducted only if they are related directly to the operation of the games. List all miscellaneous expenses on a separate sheet of paper and attach to this Financial Statement.

**Authorized Games of Chance and Skill**

Name of Organization	Permit Number
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**SCHEDULE C-1. WAGE EXPENSE**

List all employees who were paid wages at any time during the year for helping with the games; e.g. bingo callers, ticket takers, prize distributors, etc. Please note that under Alaska regulation 15 AAC 105.220, employees must not be paid more than \$1.00 over the state minimum hourly wage.

The Total Wages Paid column should include the total wages paid each individual during the calendar year. Use additional pages as needed and include in the total.

NAME	SOCIAL SECURITY NUMBER	MAILING ADDRESS	HOURLY RATE	HOURS WORKED	TOTAL WAGES PAID
			\$		\$
TOTAL FROM OTHER SIDE. If you need additional space, use the back of this schedule, and transfer the Total Wages Paid to this line. ....					\$
TOTALS. Add the entries in the Total Wages Paid column. Enter here and on page 3, Schedule C, line 16. ....					\$

**Authorized Games of Chance and Skill**

Name of Organization	Permit Number
----------------------	---------------

**SCHEDULE C-1. WAGE EXPENSE (Continued)**

NAME	SOCIAL SECURITY NUMBER	MAILING ADDRESS	HOURLY RATE	HOURS WORKED	TOTAL WAGES PAID
			\$		\$
<b>TOTALS. Enter the Total Wages Paid on the front of this schedule .....</b>					\$





AUTHORIZED GAMES OF CHANCE AND SKILL  
MONTHLY FINANCIAL STATEMENT  
Activities for the Month of \_\_\_\_\_

Name of Organization \_\_\_\_\_ Permit Number \_\_\_\_\_

Mailing Address(Street Address or P.O. Box, City, State, Zip Code) \_\_\_\_\_

Please complete the following items: Include only items DIRECTLY RELATED to your Games of Chance Activity.

Type of activity conducted: \_\_\_\_\_

Date(s): \_\_\_\_\_

Address(s): \_\_\_\_\_

Financial Information:

- 1.) GROSS RECEIPTS.....\$ \_\_\_\_\_
- 2.) PRIZES PAID-Cash..... \_\_\_\_\_
- Merchandise..... \_\_\_\_\_
- 3.) NET RECEIPTS(Deduct Line 2. from line 1.)..... \_\_\_\_\_

Expenses:

- 4.) Building- Rent..... \_\_\_\_\_
- Repairs and Maintenance..... \_\_\_\_\_
- Utilities..... \_\_\_\_\_
- 5.) Printing/purchase of tickets or cards..... \_\_\_\_\_
- 6.) Equipment(Purchase or repair)..... \_\_\_\_\_
- 7.) Advertising..... \_\_\_\_\_
- 8.) Accounting..... \_\_\_\_\_
- 9.) Wages..... \_\_\_\_\_
- 10.) Other Expenses(Explain on back)..... \_\_\_\_\_
- 11.) TOTAL EXPENSES(Add Lines 4. thru 10.)..... \_\_\_\_\_
- 12.) NET PROCEEDS(Deduct Line 11. from Line 3.).....\$ \_\_\_\_\_

DO NOT SEND ANY MONEY WITH THIS REPORT

Signature and Verification: I declare under the penalties of perjury that this report has been examined by me and to the best of my knowledge and belief is true, correct, and complete. Declaration of preparer other than licensee is based upon all information of which s/he has any knowledge.

Officer's signature	Title	Date
Member in charge signature	(Telephone)	Date



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

July 4, 1984

The Honorable Jalmar Kerttula  
President of the Senate  
Alaska State Legislature  
Juneau, Alaska 99811

Re: CSSB 549 (Rls)  
(An act relating to games  
of chance and contests of  
skill; efd)

Dear Mr. President:

Under the authority granted in art. II, sec. 15 of the Alaska Constitution, I have reluctantly chosen to veto CSSB 549 (Rls) (games of chance and contests of skill). Though the bill has many laudable features, I am persuaded that there was insufficient opportunity for public participation in the development of this legislation. That participation could have reduced certain misunderstandings and clarified the objectives and implementation of this legislation.

I am convinced that there is grave abuse of existing gaming laws. A study completed in June by the Department of Revenue pointed to numerous and serious violations of existing law. Commercial operators, not currently authorized by statute, dominate the multi-million dollar charitable gaming industry. There is some evidence that a few unscrupulous operators have failed to report the bulk of their receipts to either the charitable organizations for whom they supposedly work or to the State. In one instance, the Department determined that a single operator may have generated as much as \$7,000,000 in receipts in 1983, while officially reporting only \$200,000 in receipts to the State. This determination was based on on-site visits by the Department.

Other complaints we have received about the existing program include allegations that little of the proceeds actually go to charitable purposes, that prizes are not awarded fairly, that credit is extended to some players, that certain prizes are misrepresented and that criminal elements may be entering

the commercial gaming area. In a number of instances, we noted that as little as 2 percent to 3 percent of gross proceeds were actually being donated for charitable purposes.

CSSB 549 (Rls) attempted to meet several of these concerns. It would have legalized operators, but placed them under regulatory control. It would have required that at least 25 percent of gross receipts go for the charitable purposes. It would have limited expenses to no more than 25 percent of gross receipts. Finally, it would have provided for a fee of 1½ percent of gross receipts to provide a source of funds to ensure legal compliance with the act.

Given this background, my decision to veto CSSB 549 (Rls) was made with great deliberation and reluctance. A major concern with this legislation was the manner in which it was enacted. Members of charitable organizations and the public have noted a lack of opportunity to testify on the provisions of the bill which passed through several committees in both houses in record time. While I recognize that much legislative business is, of necessity, conducted during the waning days of the session, this bill did deserve widespread public notice and opportunity to be heard.

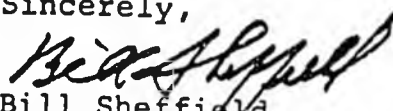
Although I have exercised my veto, I wish to commend the legislature for addressing the emerging problems in charitable gaming in Alaska. Furthermore, I wish to assure the legislative leadership of my intent to deal with the problems sought to be cured by CSSB 549 (Rls) by introducing new legislation next session.

These underlying principles will guide our development of this legislation:

- 1) gaming in Alaska should be limited to charitable organizations and local governments;
- 2) a significant portion of gross proceeds should be directly apportionable to charitable or governmental purposes;
- 3) there should be a strong enforcement program to assure the public and charitable organizations that there is compliance with the law; and
- 4) the costs of that enforcement program should be borne by the industry itself.

Finally, I have directed the Department of Revenue to closely review its current regulatory authority and to take those steps reasonably necessary to curb the most flagrant abuses of existing state law.

Sincerely,

  
Bill Sheffield  
Governor

M. Gregory Oczkus  
Attorney at Law  
555 W. Northern Lights, Suite 212  
Anchorage, Alaska 99503  
907 • 276-6550

April 1, 1985

Representative Katie Hurley,  
Chairman  
State Affairs Committee  
Room 204 Capitol  
Pouch V (MS 3100)  
Juneau, Alaska 99811

RE: HOUSE BILL 247

Dear Representative Hurley:

Time constraints at the statewide tele-conference held on March 26, 1985, limited my comments on B 247. By this letter, I wish to supplement the record with suggested changes in the Bill which would effectively regulate the BINGO operators and give the State of Alaska, Department of Revenue some method of effectively monitoring prizes, receipts, expenses and proceeds to permittees.

COMMENTS

1. EXISTING: 05.15.010

No change.

2. PROPOSED: 05.15.020

(A) No opposition to amendment; examine whether the legislature desires that in the future, legitimate political organizations can only raise money through raffles.

(B) Amend the bond requirement: "...in an amount equal to 10 percent of the estimated sales, less the value of prizes awarded. Section (B) then becomes consistent with (C).

(C) No opposition to amendment.

3. PROPOSED: 05.15.025

(A) No opposition to amendment.

(B) No opposition to amendment.

PROPOSED: 05.15.030

- (A) No opposition to amendment.
- (B) No opposition to amendment.
- (C) No opposition to amendment.
- (D) No opposition to amendment.
- (E) No opposition to amendment.
- (F) Omit or establish under what guidelines the Commission may limit the locations. If there is no opposition by the political subdivision, what reasonable opposition could the Commission have? There is a danger that the Commission could restrict the number of approved locations based upon population in the area.

One problem in the bush is that permittees compete with political subdivisions or local governments. What safeguards are there against the subdivision refusing to approve a location to gain a competitive advantage?

PROPOSED: 05.15.060

No opposition to an amendment, however, this section should provide for some administrative review of the Commissioner's decisions.

PROPOSED: 05.15.070

No opposition to amendment.

PROPOSED: 05.15.080

- (A) No opposition to amendment in general; amend "Gross Receipts" to "Sales of Chances."
- (B) Amend "Gross Receipts to "Sales of Chances."

PROPOSED: 05.15.085

No opposition to amendment in general. Suggested amendments:

(A) "Gross Receipts" to "Sales of Chances"; "Net Proceeds" to "Payment to authorizing permittee."

Add: "An operator may elect to average the authorized expenses and payments to the authorizing permittee over the monthly reporting period so that all authorizing permittees shall receive an equal amount of proceeds based upon a nightly average."

Comment: Over a period of 30 days, an operator conducts 35 sessions for between four and nine permittees. Some nights have better returns than others, i.e., weekends are more profitable than Mondays and Tuesdays. Expenses are usually measured on a monthly basis, i.e., rent and utilities. The authorizing permittees will receive better return if expenses and winnings can be averaged.

(B) "Gross Receipts" to "Sales of Chances."

EXISTING: 05.15.090

No change.

PROPOSED: 05.15.095 (A), (B), (C)

No objection to amendments.

PROPOSED: 05.15.100

(A) Change "may" to "shall"; add "...and who meets the criteria under the statutes and regulations and who has been approved by the political subdivision."

Add pulltabs.

(B) Change "may" to "shall"

(C) Change "may" to "shall"

Comment: Will political organizations be permitted to raise money from BINGO and pulltabs, as opposed to political candidates who can only conduct raffles?

(D) Change "may" to "shall"

EXISTING: 05.15.100

No change.

PROPOSED: 05.15.120

No opposition; however, the legislators must make the policy decision regarding political organizations vs. political candidates. Further, will a qualified organization be permitted to give money to a political group registered with APOC when a portion of their revenues derive from BINGO? Will this lead to abuse, and how will the Department of Revenue control it?

EXISTING: 05.15.130

No change.

EXISTING: 05.15.140

No change.

EXISTING: 05.15.150

Department of Revenue proposed no change. Presently civic and fraternal organizations can qualify to obtain a permit, but spend BINGO proceeds for a legitimate purpose different than that purpose registered on the annual application for permit.

PROPOSED: 05.15.160

(A)(1) Add rent, utilities, wages and reimbursement of the operator for services rendered to the authorizing permittee.

(A)(2) This is existing language, but it is vague and ambiguous. A personal service (accountant/attorney) is reasonably necessary, but does not fall clearly within the definition.

(A)(3) Add "an employee of the operator."

Leave existing language. Any consultant hired on a regular basis is bound to be directly involved with the operation of the business, but existing language prevents tying consultants' compensation to nightly returns. New language permits the consultant take a percentage of the profit.

(B) Completely unworkable because of improper definition of gross receipts. Reasonable expenses must be measured against sales, less prizes awarded. Prizes must be deducted before the policy decisions regarding the percentage of money toward reasonable expenses can be determined.

PROPOSED: 05.15.163

Completely unworkable because of the definition of gross receipts. Most establishments already pay in excess of 75 percent of sales of chances back in prizes. Some establishments pay over 90 percent of each dollar spent back in prizes.

Making Sections 160 and 163 is crucial to the operators. If BINGO is to continue in the state, either utilizing operators or conducted by permittees, the legislature must not let the Department of Revenue structure the payout and expense without recognizing the marketplace.

Suggestion: "The operator and authorizing permittee may negotiate agreements wherein such permittee may hire an operator to conduct BINGO, games of chance, lotteries, and sell pulltabs on the permittee's behalf. The agreement may provide for the assumption of losses by the operator and hiring consultants and employees. The authorizing permittee must receive a minimum of 15 percent of the proceeds after payment of prizes."

The amount guaranteed the permittee is a policy question. More proceeds could be available, except that maximum nightly prizes, price of pulltabs and limitations on bets

in games of skill are regulated by the Department of Revenue. If prizes were increased, then it is reasonable to assume there would be more players and more funds for the permittees.

PROPOSED: 05.15.165

(A) Omit. Limiting the number of games in a 24-hour period will increase overhead. The more times the operator can run a game during the month, the less the fixed costs per session.

(B) Amend 15 days to 30 days. This spreads the risk of a bad night with large losses over a longer period. Also, it is consistent with the monthly reporting requirements.

(C) No objection to amendment.

(D) No objection to amendment.

(E) No objection to amendment.

PROPOSED: 05.15.180

(A) No objection to amendment.

PROPOSED: 05.15.185

(A) No objection if "C" is amended to include operators. Add "...boxes of pulltabs."

(B) This creates an additional cost to affix the label. What will the Department of Revenue charge? This is analagous to a liquor or cigarette stamp and a form of tax.

(C) Add "operator". The operator sells the pulltabs on behalf of the permittee. Now the operator will become accountable.

(D) Does this include the operator or permittee who sells individual pulltabs or only distributors in bulk?

(E) No objection.

(F) Clarify. Does this mean only bulk distributors or sales to customers who are attempting to win prizes?

Suggestion: This entire section will be very expensive to administer if the State affixes a label to every box of pulltabs sold in Alaska. The State's goal is to monitor sales to prevent skimming. Currently, every operator records the numbers of pulltabs sold within his establishment to prevent a player from illegally claiming a prize.

If the Department developed a duplicate invoice, every time a new box of pulltabs is opened, one copy could be posted in the BINGO hall and the other copy immediately mailed to the Department. When the Department does spot audits, they would have a list of what pulltab boxes have been opened for sale. If a pulltab is being sold and its number is not posted, the permittee or operator would be in violation and subject to sanctions.

PROPOSED: 05.15.200

No objection to amendment.

PROPOSED: 05.15.210

(6) No objection to amendment.

(12) No objection to amendment.

(15) No objection to amendment.

(18) This is a policy question. Will political organizations be limited to raffles as a fund-raising method?

PROPOSED: 05.15.210 (19)

Do not amend; existing definition is excellent. The proposed definition eliminates civic clubs, labor organizations and many other qualified groups. Further, there is no provision in the statutes to grandfather existing permits.

I explained this problem in detail at the public hearings.

PROPOSED: 05.15.210

(24) No objection.

(25) No objection.

(26) No objection.

(27) No objection.

PROPOSED: 43.05.290 (d)

No objection.

DO NOT REPEAL 05.15.210 (2), (3), (5), (7), (8), (10), (13), (17), (22) and (23).

These sections define charitable organizations, civic and service organizations, educational organizations, fish derby associations, fraternal organizations, labor organizations, police or fire departments, religious organizations and veterans' organizations. Most of these organizations are not non-profit corporations under AS10.20 with a Certificate of Issuance in effect for three years.

Suggestion: "Gross receipts" should be redefined as "sales of chances less prizes awarded." This is Section 05.05.210(1)

It is important to use a uniform definition to measure fees, bonds, expenses and proceeds to the permittee. The existing definition does not account for the player who keeps reinvesting his winnings to eventually lose at the end of the night. The replayed prizes are a false figure traditionally known as the "false drop."

Sincerely,



M. Gregory Oczkus

M. Gregory Oczkus  
Attorney at Law  
555 W. Northern Lights, Suite 212  
Anchorage, Alaska 99503  
907 • 276-6550

March 27, 1985

Representative Katie Hurley,  
Chairman  
State Affairs Committee  
Room 204 Capitol  
Pouch V (MS 3100)  
Juneau, Alaska 99811

'APR 1 1985

RE: HOUSE BILL 247

Dear Representative Hurley:

Thank you for the opportunity to testify at the March 26, 1985 tele-conference regarding House Bill 247. I represent three of the four largest BINGO operators in the Anchorage area.

The existing statutes do not specifically provide a method of regulating instances where a permittee procures the services of an operator to run the BINGO games on its behalf. Thus, that aspect of the industry is devoid of effective legislation. Anchorage operators welcome such legislation, but proposed House Bill 247 appears to be a classic case of overkill. Five or six well written amendments to the existing statutes can meet the Department of Revenue's goals of monitoring and regulating the operators. This approach would avoid an adverse impact on the numerous small bush communities where the permittee conducts the games as a social and recreational affair, as well as a commercial enterprise.

I have represented various BINGO operators in the Anchorage area for eight years, and have a thorough knowledge of the statutes and regulations. I also have a good working knowledge of the economics of the industry and of the historical evolution of the operator establishments. Based upon my experience with the industry and my profession as an attorney, I see great potential for protracted litigation if House Bill 247 is adopted in its present form.

I would welcome the opportunity to meet with Committee members and representatives of the Department of Revenue. The large commercial establishments can be regulated without a wholesale rewrite that adversely affects permits in non-urban areas.

Some areas which should be addressed:

1. How can the Department of Revenue monitor the sale of pulltabs?

2. "Gross Receipts" should be defined as sales of chances less prizes awarded. Fees, bonds, expenses and net proceeds to the permittee must then be based on the new definition of "Gross Receipts."

3. Reporting and bonding requirements for the commercial operator should be different than for the small, private club games.

4. An authorizing permittee must be able to negotiate with an operator to use its permit and pay the permittee a minimum percentage after payment of prizes.

I will submit written comments on each section of House Bill 247 and the pertinent regulations. As the public becomes more aware of the Bill, its impact on permittees will become more controversial and more difficult to finalize in this session or the next.

Sincerely,



M. Gregory Oczkus

M. Gregory Oczkus  
Attorney at Law  
555 W. Northern Lights, Suite 212  
Anchorage, Alaska 99503  
907 • 276-6550

March 13, 1985

State Affairs Committee  
Alaska House of Representatives  
Room 102 Capitol  
Pouch Y  
Juneau, Alaska 99811

RE: HB 247

Dear Legislator:

On behalf of various non-profit organizations who have BINGO permits and persons involved with the BINGO industry in the Municipality of Anchorage, I would like to present these comments regarding House Bill 247. I am enclosing previous correspondence I have had with the State Department of Revenue and the Governor's office concerning the proposed legislation. I am happy to see that there appears to be adequate time to provide public input and information from persons involved in the BINGO industry in the next two months. Hopefully, viable legislation can be developed which places reasonable controls to enable the State to monitor the industry and permit operators to run BINGO games for the permittees.

I would like to present brief comments for your review with respect to specific sections in the proposed bill:

1. Section 05.15.020 (b) (c): If the State should require a bond to guarantee performance of an operator, then a similar bond should be required for other permittees. A bond for ten percent of the estimated gross receipts is excessive. The bill provides for more frequent reporting schedules, so that the monetary risk of noncompliance is substantially reduced. I believe that a flat fee bond based on a prior year's gross receipts would be adequate.

2. Section 05.15.030 (e) (f): These Sections would give authority to limit the locations where a permittee could operate. There must be some expression of legislative

intent in the statute defining the limits of such authority.

3. Section 05.15.060: This Section will permit the Commissioner to adopt regulations to control the industry, with the only limitation being that which the "Commissioner considers necessary."

In the forthcoming public testimony, I believe the facts will indicate that there is a lack of uniformity in the interpretation of the regulations and statutes by the various revenue agents, inconsistencies in applications and occasions of abuse of authority. I believe that there must be some process whereby a permittee or an operator has the right to an administrative hearing concerning decisions by the State Department of Revenue.

I believe an excellent example of past abuse of authority is the Department of Revenue ruling in 1981 that pulltabs were illegal. This ruling was without any legislative resolution or mandate, and controvened a prior Attorney General's Opinion that authorized use of pulltabs. Thus, permittees were restricted from selling pulltabs for over ten months, and the legislature eventually had to become involved.

4. Section 05.15.100: This Section states that the Commissioner of Revenue may issue a permit to a municipality or qualified organization. The word "may" should be omitted and specific criteria should be developed. If a permittee or operator qualifies under the statutes to receive a permit, it should be issued. Specific criteria should be developed addressing who has the right to receive permits and under what conditions. In Subsection (c) the Commissioner should be required to issue a raffle permit to a political organization which qualifies.

5. Section 05.15.160: This entire section at first glance seems appropriate, but it fails to define expenses incurred by an operator who qualifies to manage the games, and permits wage payments to employees. For example, the existing regulations permit the payment of one dollar over

the minimum wage to any employee who works in a BINGO parlor. However, the Department turns a blind eye and permits reasonable payment. If the proposed legislation will allow a permittee to hire an operator to run games on the permittee's behalf, some provision must be made for the permittee and the operator to enter into a reasonable contract for the services. Permittees who hire operators do not advance capital to fund the games, do not rent a BINGO hall, and do not bear the risk of loss. The proposed Sections specifically state that the services cannot be "directly or indirectly involved with the operation of the activity." It is unreasonable to believe that an operator should not be in some way reimbursed for the success of his activities.

6. Section 05.15.163: This proposed limitation will put any operator out of business. Currently the Department of Revenue regulations restrict the amount that may be paid nightly in prizes for BINGO games. The Bill statute proposes to restrict the amount of authorized expenses to 25 percent of the gross. This Section then proposes that not less than 25 percent of the gross be paid to the permittee. What Sections 05.15.160 and 05.15.163 ignore is that the industry pays out between 75 percent and 93 percent of the nightly gross receipts in prizes. The higher the ratio of prizes to gross receipts, the greater the participation. If the legislature requires that 15 percent of all gross receipts must go to the permittee, no money would be left for expenses. This entire Section must be revised. Ideally, the permittee should receive 100 percent of the net proceeds AFTER the payment of prizes and expenses authorized under Section 05.15.160.

7. Section 05.15.165 (b): This Section requires that the permittees be paid within 15 calendar days after the date of an activity. This should be revised to provide that permittees shall be paid when the operator files his monthly report with the Department of Revenue. Subsection (c) should be clarified. Subsection (D) is vague.

8. Section 05.15.185 deals with pulltabs. There should be no real opposition to the Department of Revenue attempting to obtain some degree of control over the distribution of pulltabs within the state and a better idea of the proceeds from pulltabs for annual reporting. However, there is no provision for pulltabs to be distributed directly to an operator, although the operator is responsible for reporting proceeds from pulltabs.

Inserted in Section 05.15.210 should be a definition of gross receipts.

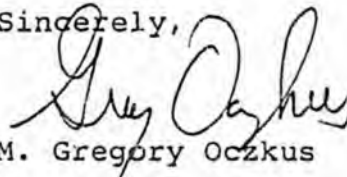
There must be some clarification concerning political organizations. Currently, political organizations are registered to run BINGO, pulltabs and special draw games. These revenues are a source of contributions to candidates. Will it be the intent of the legislature that the Democratic, Republican or Libertarian Parties shall not be eligible for a BINGO permit? At this time, there are a number of organizations that have permits for BINGO games which take their proceeds and donate such to groups registered with APOC. Is it the intent of the legislature that this campaign fund-raising source be eliminated?

My final comment concerns the Governor's submittal letter, wherein it states "...and requires that at least 25 percent of net proceeds be dedicated to the charitable or civic purpose for which the activity is conducted."

I look forward to the opportunity to familiarize the Committee with the history of the industry and some of the current problems.

Thank you for your attention to these comments.

Sincerely,



M. Gregory Oczkus

Enclosures

M. Gregory Oczkus  
Attorney at Law  
555 W Northern Lights, Suite 212  
Anchorage, Alaska 99503  
907 • 276-6550

January 9, 1985

*These comments  
Based on Fourth  
draft of H.R.*

247

Mr. Richard F. Gardner  
Investigator  
State of Alaska/Department  
of Revenue  
1111 W. 8th Street, Rm. 108  
Juneau, AK 99801

Re: Proposed Legislation: "An Act Relating to Games  
of Chance and Contests of Skill"

Dear Mr. Gardner:

I have had the opportunity to review the most recent draft of Governor's proposed legislation revising existing statutes regulating bingo, games of chance and contests of skill. I would like to point out some aspects of the bill which would need revision in order to obtain the support of the community.

1. A.S. 05.15.020(b). The amendment provides that a qualified operator may conduct an activity on behalf of a qualified organization if the operator posts a bond equal to ten percent (10%) of the estimated gross receipts from activities to be conducted by the operator in the calendar year.

Operators will object to this section for a number of reasons. First, the statute fails to clearly define gross receipts, i.e., the statute should exclude from gross receipts free games and promotional activities where no cash is received. Second, some bingo establishments had revenues of approximately \$3 million revenues last year which would mean a bond of \$300,000. A bond of \$300,000 is too expensive and excessive. My suggestion would be to require a \$25,000 to \$50,000 fixed bond as a criteria to become a "qualified operator" rather than pegging the bond to gross receipts. A \$50,000 bond would be more than adequate to secure the requirements of the proposed A.S. 05.15.025.

2. A.S. 05.15.025 sets forth the conditions wherein the bonds can be forfeited. The primary purpose of the bond is to secure the payment of a one and one-half percent (1 1/2%) operating fee to the state with the secondary purpose of securing payments to the "authorizing permittee".

A.S. 05.15.165(b) requires the qualified operator to pay proceeds to the authorizing permittee every 15 days. It is unclear when the one and one-half percent (1 1/2%) fee would be paid to the State. To bond for an entire year, at ten percent (10%) of the gross, in order to secure payment

of the one and one-half percent (1 1/2%) as well as the proceeds to the "authorizing permittee" would be expensive and unreasonable when the reports are now made monthly.

The existing reporting period is every 30 days. My suggestion is to continue a 30-day reporting period and attempt to establish a fixed bond which would cover 60 to 90 days of the one and one-half percent (1 1/2%) tax as well as required proceeds to the authorizing permittee.

3. A.S. 05.15.030 would provide for notification to local governments of applications for permits by qualified operators. Section (b) is vague and should be improved by setting forth the conditions wherein a local government could disapprove an application to conduct bingo, pull tabs, or special draw games. I know of no municipal government that has an ordinance identifying specific criteria for approval of these types of games.

Section (f) gives the commissioner discretion to limit locations where bingo activities may be located. Absolute discretion is not reasonable without some statement of intent or criteria by the legislature. This section is too broad without any limiting authority. For example, it appears the commissioner would have absolute authority to limit the number of bingo permits which may be issued in a specific area or limit how many qualified operators may conduct business within a specific area. I believe a clearer statement of legislative intent is required.

4. A.S. 05.15.095 provides for reports and payment of licensing fees. It is not explicit in the statute when the license fee is due. This statute should be clarified to require that the one and one-half percent (1 1/2%) license fee be paid to the State by the qualified operator contemporaneous with the filing of the monthly reports. It would be of interest to the State to make the license fee due monthly. This would be consistent with the argument that the bond need not cover ten percent (10%) of the annual gross proceeds for the whole year.

5. A.S. 05.15.160 and 05.15.163 define and regulate authorized expenses and net proceeds. These statutes directly affect the games by mandating that twenty-five percent (25%) of gross proceeds shall be paid to the "authorizing permittee" and that authorized expenses may be no greater than twenty-five percent (25%) of the gross receipts.

These sections permit the State of Alaska to control the distribution of proceeds. As proposed, the sections will drive the "qualified operator" establishments out of business. The proposed legislation goes too far in attempting to control both the amount of distributions to a permittee and authorized expenses.

The proposed statutes allow an "authorizing permittee" to enter into an agreement with a "qualified operator" to operate bingo on the permittee's behalf. The operator absorbs all risk of loss, pays employees and other expenses of operation, and guarantees payment of prizes nightly regardless of the number of customers. The permittee who bears no risk whatsoever would still receive twenty-five percent (25%) of the gross proceeds.

The new legislation misunderstands the economics of bingo and games of chance. A gambling activity must give a reasonable return to the player or no one will participate. If these proposed legislative changes are enacted, the State would limit 25% of gross proceeds for expenses, require 25% of gross proceeds be paid to the permit holder, impose a 1 1/2% tax, and add the cost of an annual bond on 10% of the gross receipts. In effect, absolute State regulation of between 51 1/2% to 55% (cost of Bond) of the gross sales is imposed on an operator who has no flexibility to conduct the business. People will not play the games when restriction in the law permit only a 48% or less payout. The normal payout for pull tabs is between 15% and 28%, the payoff for dart wheel games is nearly even, and on many nights the operator must payout more in bingo prizes than he sells in cards

The profit margins are not there to impose these types of legislative restrictions! The 25% net proceeds restriction is patterned after the Rhode Island statutes. Rhode Island does not provide for payment of expenses to employees or use of qualified operators to run the games. Further, my research finds no statute where other states have legislatively controlled both expenses and payments to the permittee.

Simply stated, the proposed statutes controlling the expenses, net proceeds, and fees do not take into consideration the economics of the bingo games, the payout of prizes, the reasonable cost of doing business, or the variations of gross receipts from night to night.

A.S. 05.15.160 and A.S. 05.15.163 must be rewritten in their entirety. The legislature should define "gross proceeds" or "gross receipts" as all monies received through dart wheels, raffles, pool tabs, bingo games, and other games of chance. From these gross proceeds, the State should regulate only what the minimum proceeds paid to an authorized permit holder and the one and one-half percent (1 1/2%) licensing fee. The economics of the market place should then determine the distribution of the balance for expenses and prizes to the players. This method of legislating the payment and expenses would satisfy the State's interest in collecting proceeds from the games as a license fee and the interest in raising funds for charitable organizations.

A best legislative approach would be to regulate the payment to the permit holder on a sliding scale. Qualified operators which grossed less than \$1.5 million per year should pay ten percent (10%) of the proceeds or \$150,000 to the permit holders. Games whose gross proceeds exceeded \$1.5 million per year should pay twelve percent (12%) to the permittees. This is a very reasonable return to the permittee who absorbs no risk and pays no expenses of the operation. The payment is guaranteed by the bond and the operators compete in the market place for enough players to cover the expenses of operation.

One final suggestion is that the payment of the proceeds to the permittees be averaged over the month. For example, most operators utilize four permits and operate 32 games per month. Generally the weekend nights are profitable with Mondays, Tuesdays, and Wednesdays operating at a loss or at best, breaking even. In the interest of equalizing proceeds to the permit holders, the total monthly proceeds should be averaged among the authorizing permittees. In this manner no permittee would receive more favorable treatment by getting assigned the better nights.

6. A.S. 05.15.165 imposes operating restrictions on a qualified operator. Section (a) should be amended to permit the qualified operator to operate eight (8) activities per week. Once or twice a month operators have a second bingo session that runs from 11:30 p.m. to 3:00 a.m. Section (b) requires the qualified operator to pay the authorizing permittee net proceeds every fifteen (15) days. This should be changed to thirty (30) days to be consistent with the existing reporting scheme and the proposed reporting scheme utilizing monthly reports. Subsection (d) should be rewritten in its entirety. Department should eliminate references to expenses under A.S. 05.15.160(a) and A.S. 05.15.160(b). Substituted should be a requirement that payments to permittees be a fixed percentage of the net proceeds based on a sliding scale.

7. A.S. 05.15.200 would assess a penalty for non-timely payment of fees to the State. The statutes should state that the one and one-half percent (1 1/2%) fee will be due with each monthly report.

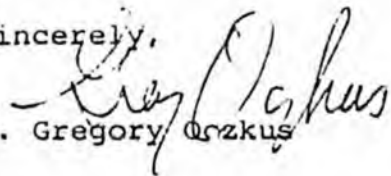
8. A.S. 05.15.210(15) should be eliminated and a definition for "gross proceeds" substituted.

9. A.S. 05.15.290(d) would make it a felony to willfully file false reports to the State. The common practice in other states (see Rhode Island and Washington) is to make the filing of false reports a misdemeanor on the first occasion and a felony on the second occasion. The filing of a false report is already grounds for revocation of the operator's license or the permit.

10. A.S. 05.15.210(18) changes the definition of political organization to include candidates registered with APOC, but A.S. 05.15.100(c) limits the activities of political organizations to raffles. I assume this is an oversight because many political organizations, i.e., Republicans of District 10, have permits to operate all games. Section .100(c) should be modified so organizations can conduct games, but candidates could only conduct raffles.

My clients are encouraged by some of the proposed modifications in the statutes relating to bingo and games of chance. The legislation goes along way to update the statutes and take into consideration bingo as it has evolved in Alaska over the past 25 years. But, it will not be in anybody's interest, either the operators or the permittees, to see bingo legislated out of existence because of lack of understanding of the economic realities. I look forward to working with your department these next several months to develop viable legislation to regulate the industry.

Sincerely,

  
M. Gregory Ozkus

M. Gregory Oczkus  
Attorney at Law  
555 W. Northern Lights, Suite 212  
Anchorage, Alaska 99503  
907 • 276-6550  
December 7, 1984

*These comments  
Based on third  
Draft of  
HB. 247*

Mr. Ray Gillespie  
Office of the Governor  
State Capital Building  
Pouch A  
Juneau, AK 99811

Re: Games of Chance and Bill

Dear Ray:

Thank you for mailing me a copy of the bill which the Governor's Office intends to submit concerning "an act relating to games of chance and contest of skill; and providing for an effective date." I am leaving Anchorage on December 10, 1984 until January 1, 1985. For this reason I am not able to respond at this time in as much detail and with as much analysis as I would like. Upon my return I will be going through the bill in greater detail to send you additional comments.

My clients have several areas of concern. The bonding requirements in the amount of 10 percent of the gross receipts is unreasonable. Second, the requirement of A.S. 05.15.160(c) is impossible.

There are many misunderstandings concerning the game of bingo and the additional games of chance, pool tabs and dart wheel. The Act as proposed is not feasible.

The dart wheel is a game where a bidder places 50¢ in any one of a number of combinations. Most of the combinations are an even payoff. For example, if a bidder bets odd or even on the wheel, the house has no advantage for the State of Alaska to impose a one and one-half percent (1 1/2%) license fee, a 25% payout to the permittee, and the cost of a 10% bond, this game would operate at a loss.

A second popular game is the pool tabs wherein the operator purchases a box of 1,000 pool tabs for approximately \$60. Therein there are prizes of \$1, \$5, \$10, \$50, \$500, or \$1,000. The bidder pays between 50¢ and \$2 depending on which type of pool tab. The return to the house on a box of pool tabs varies between 30% and 15%. Once again, if the costs to operate are increased by the state, then the game is not feasible.

The return on the bingo games depend on the number of persons who play. Normally a house plays between 25 and 28 bingo games an evening. The player purchases a hard card for \$1 per card which makes him eligible to play 23 games with a \$100 prize. In addition, the house sells special cards for special games which have a guaranteed prize. Normally these games are called soft cards. The soft card costs \$3 with the prize being as much as \$1,000. If the operator only sells 200 soft cards, (\$600 in gross receipts) but is still required to give away the \$1,000 prize, the game is operated at a loss.

A great deal of money is spent throughout the State of Alaska on bingo and other games as recreation. It is reasonable for the state to try to get some control over expenses and distribution of the proceeds. But, the legislature and the Governor's Office should be careful that they do not put the various games out of business resulting in a total loss of revenues to the permit holders. If bingo is lost as a revenue source for charitable organizations, then you can reasonably expect these organizations to look to the State of Alaska for financial assistance.

My overall opinion of the bill is that it shows a very limited understanding of the bingo games as they presently exist in Alaska. The bill is inconsistent. In some sections it measures fees, bonding, and payouts based on gross revenues and other sections measure net proceeds from the game. The Act makes no provisions regarding how losses on a certain nights will be allocated between the permit holder and the operator. These are only a few of the problems in the draft.

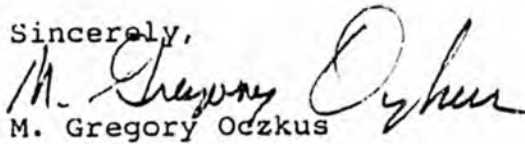
There appears to be a misconception that operators of bingo establishments are making large profits while very little of the proceeds of the game go to the charitable organizations. I would like to point out that many of the bingo establishments have lost money and have closed down in the Anchorage area.

I anticipate that there will be a strong reaction from the various permit holders and bingo players over the statute. If revision of the statutes results in the games being closed, both organizations and players will be irate. I will be reviewing the proposed changes in greater detail and submit specific comments to each section. I will try to make these comments available to your office by approximately January 15, 1985.

Please enclose this comment with any submittal of the proposed revisions to the legislature.

Thank you for your time and attention.

Sincerely,

A handwritten signature in cursive script that reads "M. Gregory Oczkus". The signature is written in dark ink and is positioned to the right of the typed name.

M. Gregory Oczkus

# Oakeservices

Central, Alaska 99730

MAR 22 1985

907-520-1893  
907-520-5227

March 19, 1985

Representative Katie Hurley, Chairwoman  
House State Affairs Committee  
Pouch V  
Juneau, AK 99811

Dear Representative Hurley:

In a recent issue of the Fairbanks NEWS MINER, I read that there may be a hearing on House Bill 247. Although I have not read this year's bill, I wish to express several concerns, based on the legislation that was proposed last year.

That there is need for control and good reporting from non-profit organizations raising money under Alaska law, I do not deny--and I am sure there may be reasons for deep concern about commercial operators raising large amounts of money for charities through bingo and other games.

I am seriously concerned, however, that increased reporting and publication requirements might mean a real loss of revenue for a number of small non-profit operations who use an annual raffle or lottery for the purposes of raising money to meet their charitable goals. I suggest that present reporting requirements are adequate for such groups. Frequent reporting requirements and other paperwork would probably put small non-profit groups, who depend upon volunteers for their activities and bookwork, right out of business.

My own experience with a local historical society, which raises between \$500-\$1000 a year through a raffle project, is that people are willing to donate through this sort of activity. I also know that any requirements which increase the cost of such an activity would probably cause us to quit holding a raffle, as our support area has a limited population and we probably would not be able to raise enough more to cover increased cost. I would also point out that present requirements of submitting the application to the nearest municipality seem rather far-fetched. At least in rural Alaska, where there are communities not in boroughs and not otherwise organized, it seems strange to submit application through the nearest municipality. For example, we face the choice, shall we submit to Fairbanks? We are not part of that city or that borough. Or Eagle, with whom we have no contact? Or Fort Yukon--again, no common ties. All nearby municipalities are over 100 miles away and have nothing to do with our project. So this can be a concern in isolated, rural areas.

My recommendation is that provisions for raffles and lotteries for  
(over please)

**CONSULTANT SERVICES:**

Rural Educational Planning, Curriculum & Instruction  
Alaska History Research & Review

**GENERAL SERVICES:**

Research, Editing & Public Relations  
Mobile Secretarial Service - Notary Public

non-profit organizations run by volunteers and having a budget of under \$50,000 be unchanged. I am deeply concerned that small organizations will suffer from the reported excesses of some of the large bingo operations if they are all lumped together.

Thank you for your consideration.

Sincerely yours,

*Patricia Oakes*

Miss Patricia Oakes

MAR 29 1985

House Bill # 247-Notes for Teleconference

CINA is in favor of the passage of House Bill 247. We strongly believe that it is in the best interest of all Bingo permit holders to have the law revised as outlined in this bill, with a few minor exceptions. CINA also feels that the increase in fees stipulated by this bill is justified if used to enhance the ability of the Department of Revenue to monitor the activities of permit holders and qualified operators. However, if the increase in fees does not go towards that monitoring capability, CINA would suggest that the State look elsewhere for additional revenue and not penalize not-for-profit organizations.

As stated earlier, CINA strongly endorses House Bill 247. However, we have several suggested changes that we believe would make the bill more acceptable to all parties:

1) Section 05.15.163 creates a minimum of 25% of annual gross receipts that would accrue to the qualified organization from activities authorized under this bill. According to the Dept. of Revenue, the majority of organizations operating under the present law are realizing between 1% to 5% of annual gross receipts. An increase to a minimum of 25% in one period of time would be harmful and disruptive to their activities. Therefore, we would recommend a minimum level of no more than 15% at this time. If the state wants to increase that particular 'floor' from this level, we would suggest a gradual increase over two or three years.

2) Section 05.15.080 and 05.15.085 stipulates a monthly reporting requirement for each permit holder and/or operator. In order not to severely add to the administrative burden, CINA would recommend that this requirement be put on a quarterly basis rather than monthly.

Again, CINA, as one of the larger qualified operators in the state, would like to see House Bill 247 passed by this legislature. We believe that passage would be in the best interest of all permit holders and qualified operators. Although the outcome of a minimum placed on net proceeds to the qualified organization would initially decrease the money available to bingo players in general, the overall effect of the bill would be favorable to the activity as a whole.

Thank you for the opportunity to provide you with these comments.

*submitted 3-26-85*

*Richard (Rick) Nelson  
Chairman of the Board  
Coak Salt Water Association*

# ALASKA BINGO SUPPLY

A Division of GRIFFIN ENTERPRISES

1432 Ingra Street  
Anchorage, Alaska 99501

(907) 243-7003  
Warehouse: (907) 279-8648

May 2, 1985

TO: HOUSE FINANCE COMMITTEE - ATTN: Rep. Albert Adams  
HOUSE JUDICIARY COMMITTEE - ATTN: Rep. Mike Miller/Hayden Kayden, counsel

SENATE STATE AFFAIRS COMMITTEE - ATTN: Senator Mitch Abood  
SENATE FINANCE COMMITTEE - ATTN: Senators Jan Faiks/John Sackett  
SENATE JUDICIARY COMMITTEE - ATTN: Senator Pat Rodey

RE: House Bill 247; an act relating to games of chance and skill.

## MEMBERS OF THE STATE LEGISLATURE:

This letter is directed to the committee members of the above mentioned committees. I request that the contents not be circulated to the media or general public. I would also respectfully request that the above committees consider HB 247 in a timely manner. This bill (or a similar substitute) needs to be approved this session.

My name is Mark Griffin. I am the owner of the largest (and oldest) bingo supplier in the State of Alaska. I am quite informed on the history of bingo and pull-tab legislation. My primary interest is in the long-range effect of any legislation & regulation on the bingo industry as a whole. This causes me to be in conflict with the view-points of some of the operators. However, I was the operator of one of the largest bingo halls in Anchorage a few years back. This gives me a well-rounded view of the total situation. Because of my hands-on experience, I would like to offer some suggestions concerning HB 247.

WHY IS HB247 NEEDED? Anyone familiar with present status will readily admit there are a number of operators and organizations that are abusing their positions. This bill will recognize and allow operators for the first time - and allow some control over them. It will guarantee proceeds going where they are supposed to; if not passed, present administrative code 15 AAC 105.120 (Raffles & Lotteries) 5 (L) Game No. 11 - pull-tab games stipulates that a maximum of \$200,000.00 in prizes may be awarded in one calendar year. Every major game will exceed that in under three (3) months! To keep in operation, the game will be forced to falsify records - and without the tracking provided by HB247, there will be no way of verifying pull-tab purchases. In other words, even the honest operators will have to lie to stay in business.

COST AND ENFORCEMENT: If adequate field personnel are available to provide proper enforcement, the State should generate sufficient income to pay the budgeted cost of \$253,000.00. Without enforcement, both the State and many organizations will be getting ripped off by unscrupulous operators. ENFORCEMENT IS CRITICAL.

COMMENTS AND SUGGESTIONS:

Sec. 1. AS05.15.020 (b). Operator's permit fee could be raised. Operator's will cause the biggest enforcement problem, therefore a larger financial burden should be placed on them. I suggest a sliding fee according to gross; \$200 for smaller operator's to \$1,000 for the largest operators. The requested bond requirement (10% of total gross receipts) is not realistic. Some operations may gross in the millions. The bond should be based upon the estimated annual gross, less value of prizes. Gross is very misleading in this business. Pull-tabs create a tremendous gross, but only a 15% net after pay-outs (on the average).

Sec. 2. AS05.15.025 (b). Bond forfeiture should also cover amounts owed to suppliers. Distributors are the key to control. Washington State has strict protection for suppliers, since they can also collect the tax levied on pull-tabs. Delinquent paying organizations can have their permit revoked. This allows faster response to an improperly operated game.

Sec.13 AS05.15.160 (b). States that expenses cannot exceed 25% of annual gross. Pull-tabs will cause a lot of concern here, by their nature. Approximately 85% of pull-tab gross is in pay-outs (winning tickets). By allowing expenses of up to 25% of this gross, the bill would encourage operator abuses. (If a deal of pull-tabs has 2100 tickets at \$1, and nets \$300; what is the basis of allowing up to \$525 in expenses?) Pull-tabs shouldn't be counted as part of total gross. Pull-tabs should be computed from gross less pay-outs, which is the guaranteed net.

Sec. 15 AS05.15.163. NET PROCEEDS. This bill stipulates that the organization must net at least 25% of total gross. Again, as in 05.15.160 (above), pull-tabs cannot meet this requirement. By design they only net an average of 15% - the rest is in pay-outs (winning tickets). Pull-tabs should be computed on the basis on their guaranteed net, which is around 15%. Since this bill will allow tracking of pull-tabs, and each box of pull-tabs has a guaranteed net, few abuses can <sup>be</sup> present. The other activities can withstand a net proceed ratio somewhere in the area of 25%. Bingo often times cannot make a 25% net (after prizes & expenses), however, by using the net amount generated by pull-tabs and combining the two sources, the overall average of the activities should be able to meet 25%. (I'm really trying to make this as simple as possible to understand. please examine detail on last pages, or call me.) It might be better to lower this percentage to 15% for the first year, 20% the next year etc. In conjunction with this section, keep in mind that there is a \$5,000 prize limit/on any one given night of bingo. Therefore, the larger games will generate a larger net than the smaller ones on many occasions (percentagewise).

Sec. 17 AS05.15.185. PULL-TAB GAMES. (a) There should be some requirements for having a bonafide business establishment within the State of Alaska. There are literally thousands of distributors in the states. All control could be destroyed by operators going out-of-state for their pull-tabs. By the time the distributors paperwork got to the Dept. of Revenue, and processed, an operator could have gone through considerable amount of unreported pull-tabs. The checks of the proposed bill would be destroyed by the time factor. How would it be possible to keep track of those suppliers selling within Alaska? It would be next to impossible to contact them all and tell them to apply for a license. The only feasible way is to require warehousing in Alaska that can be audited.

(b) The requested numbered label should be used to generate income for enforcement of this bill. It should be a tax stamp. The State will be receiving 1-1/2% of the net from AS 05.15.020 (c). This would average around \$3.50 for standard box of \$1 tickets. This tax should be a minimum, perhaps \$.50 per label. This would be collected by the

distributor. If the distributor is unable to transfer the funds to State on a regular basis, then that person shouldn't be a distributor. The distributor is the backbone of the enforcement and record keeping. Organizations must pay for their product within 30 days (or sooner). This would alert the State that an organization is in financial trouble very promptly.

(c) ADD. A licensed distributor cannot sell to an operator.

(d) (1) raise the annual fee to \$1,000.00. The distributor must be financially sound, since he is the basis of tracking the pull-tab sales.

(2) this is going to be very cumbersome for a large distributor. Most product is sold by the case. Sometimes there are 6 (or more) separate boxes in a case. This will require pulling all boxes out, recording numbers and then resealing cases. Another reason to require local warehousing for distributors.

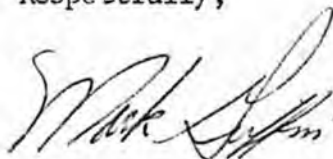
SOMEWHERE in this bill, there has to be a forfeiture of supplies by the organization or operator if their supplies do not have the numbered label affixed. The product should be immediately confiscated. Failure to pay suppliers should be considered a lien against the organization's privilege to have a license, and the license revoked until payment is made. This has been a problem in the past for the distributors. Unfortunately, there have been a number of organizations who have had theft and other problems caused by volunteer and operator misconduct. Often times it is hard to hold the organization responsible, since a representative ordered the product, not the organization itself.

Again, please give some consideration to passage of this bill. In general, there is support for its passage from various organizations. However, the "gross" situation has to be cleared up. I appreciate the opportunity to make my opinions known.

I would appreciate the opportunity to discuss this with any of you at any time. I can be reached at 243-7003 or 338-7006 during the days. 243-3559 at home. Please call at your convenience.

As it stands right now, there are some shady operators out there making it very tough on the other operators, and on the industry as a whole. The purpose of this bill is to provide some well needed controls. With a little revamping, I think this bill is a major (and necessary) step in providing those controls. Lastly, this bill will allow up-dating the administrative code to handle today's problems. At the present time, existing laws and regulations do not address the situations that exist. The limit of \$200,000 doesn't belong in addressing pull-tabs. This bill will permit pull-tabs to be an item on its own, with the State getting revenue and the organization having the tool to generate its own revenue. Presently, only those who lie on their reports seem to be left alone.

Respectfully,

A handwritten signature in cursive script, appearing to read "Mark Griffin".

Mark Griffin, owner  
Alaska Bingo Supply

## DETAIL

The hardest part of this whole bill is trying to determine fair percentages for expenses and net proceeds etc. Remember that if there are no winners, there will be no players. If 25% goes to expenses and 25% goes to the organization, that leaves 50% for prizes etc. No-one would play for that return.

Keep in mind that the expenses can be less than 25%, and a good operator will try to do so. The whole secret is determining what is the basis of gross that these percentages are derived from? The fact is that pull-tabs cause the bulk of the problem. By design pull-tabs have a high gross, but a reasonable net (usually 15% to 18%). The rest is pay-outs or winning tickets. It is easy to see that it would be impossible for an organization to get a net of 25% of the gross on pull-tabs when they only make around 15% (before taking into consideration the cost of the product).

The best solution is to disregard the gross on pull-tabs. All pull-tabs come from the manufacturer with a predetermined profit. This is a definite profit when all the tickets are sold. Therefore, all computations should be based on this figure, since the gross is a fictitious figure when figuring in the above percentages.

In many games, bingo actually loses money, and the pull-tabs make up for the bingo losses. After studying this problem for awhile, I believe that most operations, large and small could probably average a net of 25% if the net of pull-tabs is used. In addition, this would eliminate a successful operator of charging enormous fees on the gross side of pull-tabs. An average box of pull-tabs would allow around \$525.00 in expenses allowed which is ridiculous. But if other aspects of the operation were generating their respective 25%, this operator would have a license to steal 25% of a fictitious gross. Think about it.

And like it or not, most organizations that have operators really don't know or care what is going on. All they care about is getting a couple of bucks they didn't have before. Most organizations don't have the financial ability to equip a bingo operation, or the personnel to man one. And volunteers will steal a lot more than operators will. So there is a definite need for the operator. But make the operator responsible to the organization, and the organization responsible for the operator's actions. They will keep a better eye on each other. And everybody can come out ahead. The State will generate enough revenue to administer this bill. The organization will have more money than it ever had before. And the operator can make an honest living, instead of being forced to falsify forms so he can continue to operate. Presently, the lack of adequate laws and regulations, and especially enforcement, has caused the disgusting situation that has made honest men crooks. This is your chance to rectify this.

I encourage you to call me and discuss this. It doesn't have to be a confusing issue. It will stay a very confusing issue if no action is taken on HB247. In fact, because of the \$200,000 payout limit on raffles & lotteries that presently exists, there are probably in excess of 50 organizations that will be forced to lie in the next 6 months. And if someone is caught, the Dept. of Revenue wouldn't be able to do anything about it for another six months. And that is a real piss-poor situation.

  
Mark Griffin