

ALASKA LEGISLATURE COMMITTEE FILES, 1989-1990 8672
6448 SENATE LABOR & COMMERCE

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In assessing the importance of HB 587 to Alaska's charitable gaming community, I urge the Committee to review the enclosed 1989 Charitable Gaming Annual Report. The report clearly illustrates an alarming trend in authorized gaming activities in the state: the percentage of gaming proceeds going to the permittees has steadily declined in spite of an overwhelming increase in gross receipts and gaming activity. It is clear that the vast majority of the money generated by charitable gaming activity in the state is going into the pockets of private, for-profit entities, rather than non-profit social, religious, and educational organizations as is intended by law.

One of the ways that gaming proceeds are bled away from the permittees is through "authorized expenses" including advertising. A report from one of Alaska's largest charitable gaming operators shows that virtually the same percent of proceeds went to advertising as went to their permittees. Until Alaska's charitable gaming community has had the opportunity to be heard on the issue, it seems ill advised to substantially expand the scope and cost of advertising. HB 587 seeks to give Alaskans that opportunity.

100TH CONGRESS
2D SESSION

H. R. 3146

IN THE SENATE OF THE UNITED STATES

MAY 26 (legislative day, MAY 18), 1988

Received; read twice and referred to the Committee on the Judiciary

AN ACT

To clarify certain restrictions on distribution of advertisements and other information concerning lotteries and similar activities.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 SECTION 1. SHORT TITLE.

4 This Act may be cited as the "Lottery Advertising Clar-
5 ification Act of 1988".

TITLE 18—CRIMES AND CRIMINAL PROCEDURE

PART I—CRIMES

CHAPTER 61—LOTTERIES

(§§ 1301-1307)

Sec.

1304. Broadcasting lottery information.

1307. State-conducted lotteries.

§ 1304. Broadcasting lottery information

Whoever broadcasts by means of any radio station for which a license is required by any law of the United States, or whoever, operating any such station, knowingly permits the broadcasting of, any advertisement of or information concerning any lottery, gift, enterprise, or similar scheme, offering prizes dependent in whole or in part upon lot or chance, or any list of the prizes drawn or awarded by means of any such lottery, gift, enterprise, or scheme, whether said list contains any part or all of such prizes, shall be fined not more than \$1,000 or imprisoned not more than one year, or both.

Each day's broadcasting shall constitute a separate offense.³

§ 1307. State-conducted lotteries

(a) The provisions of sections 1301, 1302, 1303, and 1304 shall not apply to an advertisement, list of prizes, or information concerning a lottery conducted by a State acting under the authority of State law—

(1) contained in a newspaper published in that State, or

(2) broadcast by a radio or television station licensed to a location in that State or an adjacent State which conducts such a lottery.

(b) The provisions of sections 1301, 1302, and 1303 shall not apply to the transportation or mailing—

(1) to addresses within a State of equipment, tickets, or material concerning a lottery which is conducted by that State acting under the authority of State law; or

(2) to an address within a foreign country of equipment, tickets, or material designed to be used within that foreign country in a lottery which is authorized by the law of that foreign country.⁴

(c) For the purposes of this section (1) "State" means a State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, or any territory or possession of the United States; and (2) "foreign country" means any empire, country, dominion,

³ June 23, 1948, ch. 345, 62 Stat. 763.

⁴ Section 1307(b) was amended by Public Law 96-90, 93 Stat. 698, Oct. 23, 1979. The subsection formerly read as follows:

(b) The provisions of sections 1301, 1302, and 1303 shall not apply to the transportation or mailing to addresses within a State of tickets and other material concerning a lottery conducted by that State acting under authority of State law.

colony, or protectorate, or any subdivision thereof (other than the United States, its territories or possessions).⁶

(d) For the purposes of this section "lottery" means the pooling of proceeds derived from the sale of tickets or chances and allotting those proceeds or parts thereof by chance to one or more chance takers or tickets purchasers. "Lottery" does not include the placing or accepting of bets or wagers on sporting events or contests.⁶

CHAPTER 63—MAIL FRAUD

(§§ 1841-1848)

Sec.

1848. Fraud by wire, radio, or television.

§ 1848. Fraud by wire, radio, or television⁷

Whoever, having devised or intending to devise any scheme or artifice to defraud, or for obtaining money or property by means of false or fraudulent pretenses, representations, or promises, transmits or causes to be transmitted by means of wire, radio, or television communication in interstate or foreign commerce, any writings, signs, signals, pictures, or sounds for the purpose of executing such scheme or artifice, shall be fined not more than \$1,000 or imprisoned not more than five years, or both.

SEC. 362. INTERFERENCE WITH THE OPERATION OF A SATELLITE.^{7a}

(a) OFFENSE.—Chapter 65 of title 18, United States Code, is amended by inserting at the end the following:

"§ 1867. Interference with the operation of a satellite

"(a) Whoever, without the authority of the satellite operator, intentionally or maliciously interferes with the authorized operation of a communications or weather satellite or obstructs or hinders any satellite transmission shall be fined in accordance with this title or imprisoned not more than ten years or both.

"(b) This section does not prohibit any lawfully authorized investigative, protective, or intelligence activity of a law enforcement agency or of an intelligence agency of the United States."

CHAPTER 71—OBSCENITY

(§§ 1461-1465)

Sec.

1464. Broadcast obscene language.

⁶ Section 1807(a) was amended by Public Law 96-90, 93 Stat. 698, Oct. 23, 1979. The subsection formerly read as follows:

(c) For the purposes of this section "State" means a State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, or any territory or possession of the United States.

⁷ Added Jan. 2, 1975, 88 Stat. 918.

^{7a} Added July 16, 1962, Ch. 879, sec. 18(a), 66 Stat. 722, and amended July 11, 1968, Ch. 571, 82 Stat. 1511.

-1 SEC. 2. AMENDMENTS RELATING TO IMPORTATION, TRANS-
2 PORTATION, MAILING, AND BROADCAST OF AD-
3 VERTISEMENTS FOR LEGAL LOTTERIES AND
4 SIMILAR ENTERPRISES OFFERING PRIZES DE-
5 PENDENT ON CHANCE.

6 (a) AMENDMENT TO TITLE 18, UNITED STATES
7 CODE.—Subsection (a) of section 1807 of title 18, United
8 States Code, is amended by striking out “conducted by” and
9 all that follows through the end of the subsection and insert-
10 ing in lieu thereof “, gift enterprise, or similar scheme offer-
11 ing prizes dependent in whole or in part upon lot or chance, if .
12 the lottery, gift enterprise, or similar scheme is authorized or
13 not otherwise prohibited by the State in which it is conduct-
14 ed. In a case in which such a prohibition by a State would
15 not apply to Indian country located in that State, the provi-
16 sions of section 1804 of this title shall apply with respect to
17 such Indian country. This subsection shall not apply with re-
18 spect to any casino gambling game conducted or operated by
19 a gambling establishment. For purposes of the preceding sen-
20 tence—

21 “(1) the term ‘casino gambling game’ means rou-
22 lette, blackjack, craps, slot machines, and any similar
23 game of chance or device which is played for money or
24 other thing of value; and

25 “(2) the term ‘gambling establishment’ means an
26 establishment which is engaged in for profit and is op-

1 - erated primarily for the purpose of gaming or gam-
2 bling, including accepting, recording, or registering
3 bets for money or other thing of value.”.

4 (b) AMENDMENT TO TITLE 39, UNITED STATES
5 CODE.—Section 3005(d) of title 39, United States Code, is
6 amended—

7 (1) in clause (1) by striking out “a newspaper”
8 and all that follows through “such a lottery,” and in-
9 serring in lieu thereof “(A) an advertisement, list of
10 prizes, or information concerning a lottery, gift enter-
11 prise, or scheme for the distribution of money or of real
12 or personal property, by lottery, chance, or drawing of
13 any kind, if the lottery, gift enterprise, or scheme is
14 authorized or not otherwise prohibited by the State in
15 which it is conducted, except that this subparagraph
16 shall not apply with respect to any casino gambling
17 game conducted or operated by a gambling establish-
18 ment, or (B) a newspaper of general circulation con-
19 taining an advertisement, list of prizes, or information
20 referred to in subparagraph (A),”; and

21 (2) by adding at the end thereof the following:
22 “For purposes of paragraph (1)(A), the term ‘casino
23 gambling game’ means roulette, blackjack, craps, slot
24 machines, and any similar game of chance or device
25 which is played for money or other thing of value, and

1 the term 'gambling establishment' means an establish-
2 ment which is engaged in for profit and is operated pri-
3 marily for the purpose of gaming or gambling, includ-
4 ing accepting, recording, or registering bets for money
5 or other thing of value."

6 SEC. 3. TECHNICAL AMENDMENTS.

7 (a) AMENDMENTS TO TITLE 18, UNITED STATES
8 CODE.—Chapter 61 of title 18, United States Code, is
9 amended as follows:

10 (1) The section heading of section 1307 is amend-
11 ed to read as follows:

12 "§ 1307. Exceptions relating to certain advertisements and
13 other information and to State-conducted lot-
14 teries".

15 (2) The item relating to section 1307 in the table
16 of sections at the beginning of chapter 61 is amended
17 to read as follows:

"Sec. 1307. Exceptions relating to certain advertisements and other information and
to State-conducted lotteries."

18 (3) Subsection (d) of section 1307 is amended by
19 inserting after "purposes of" the following: "subsection
20 (b) of".

21 (4) The first sentence of section 1304 is amended
22 by inserting after "radio" the following: "or televi-
23 sion".

1 (b) AMENDMENT TO TITLE 39, UNITED STATES
2 CODE.—Subsection (d)(2) of section 3005 of title 39, United
3 States Code, is amended by striking out “such a lottery” and
4 inserting in lieu thereof “a lottery conducted by a State
5 acting under authority of State law.”.

6 SEC. 4. SEVERABILITY.

7 If any provision of this Act or the amendments made by
8 this Act, or the application of such provision to any person or
9 circumstance, is held invalid, the remainder of this Act and
10 the amendments made by this Act, and the application of
11 such provision to other persons not similarly situated or to
12 other circumstances, shall not be affected by such invali-
13 dation.

14 SEC. 5. EFFECTIVE DATE.

15 The amendments made by this Act shall take effect 18
16 months after the date of the enactment of this Act.

Passed the House of Representatives May 25, 1988.

Attest: DONNARD K. ANDERSON,
Clerk.

H-3587

18 § 1306

chase, but only from stores handling the sponsor's products, did not constitute a "lottery" within this section prohibiting broadcasting of lottery information. *Caples Co. v. U.S.*, 1957, 243 F.2d 232, 100 U.S.App.D.C. 126.

7. State-run lotteries

See, also, *Notes of Decisions under section 1307 of this title.*

In suit seeking a declaration that provision of this section prohibiting licensed radio stations from broadcasting any advertisement or information concerning any lottery is inapplicable to lawful state-run lotteries, since Congress, subsequent to the briefing and argument of the case but prior to its decision, added section 1307 of this title, providing that it "shall not apply to an advertisement, list of prizes, or information concerning a lottery, conducted by a State acting under the authority of state law . . . broadcast by a radio or television station licensed to a location in that state or an adjacent State which conducts such a lottery," the case would be remanded to consider whether it had been rendered moot. *U.S. v. New Jersey State Lottery Commission*, N.J. 1975, 95 S.Ct. 941, 420 U.S. 71, 43 L.Ed.2d 260.

Provision of this section prohibiting broadcasting of information concerning lotteries and Federal Communications Commission regulations promulgated under this section apply to legal state-conducted lotteries as well to lotteries conducted in violation of state law. *New York State Broadcasters Ass'n v. U.S.*, C.A.N.Y. 1969, 414 F.2d 990, certiorari denied 90 S.Ct. 752, 396 U.S. 1061, 24 L.Ed.2d 755.

Jurisdiction

State court did not have jurisdiction to enjoin TV-Bingo scheme, even if it constituted a lottery under state statute, as Congress preempted field of regulating broadcast of lotteries over TV. *State v. Socony Oil Co.*, Tex.Civ.App. 1964, 386 S.W.2d 169.

Declaratory rulings

Radio and television broadcasters were entitled to declaratory ruling by Federal Communications Commission as to whether specific types of broadcasts would violate this section. *New York State Broadcasters Ass'n v. U.S.*, C.A.N.Y. 1969, 414 F.2d 990, certiorari denied 90 S.Ct. 752, 396 U.S. 1061, 24 L.Ed.2d 755.

Questions for court

Authority of enforcing this section prohibiting broadcasting of lottery information when

such prohibition runs contrary to state efforts to experiment with lottery as alternate device for raising revenue is for Congress and not for court to resolve. *New York State Broadcasters Ass'n v. U.S.*, C.A.N.Y. 1969, 414 F.2d 990, certiorari denied 90 S.Ct. 752, 396 U.S. 1061, 24 L.Ed.2d 755.

The Federal Communications Commission's opinion on whether radio and television "giveaway" programs constitute lotteries, although entitled to respect, is not authoritative, the question involved being one of law and peculiarly within the province of the courts. *American Broadcasting Co. v. U.S.*, D.C.N.Y. 1953, 110 F.Supp. 374, affirmed 74 S.Ct. 593, 347 U.S. 284, 98 L.Ed. 699.

18 USC

§ 1305. Fishing contests

The provisions of this chapter shall not apply with respect to any fishing contest not conducted for profit wherein prizes are awarded for the specie, size, weight, or quality of fish caught by contestants in any bona fide fishing or recreational event.

(Added Aug. 16, 1950, c. 722, § 1, 64 Stat. 451.)

Historical Note

Legislative History. For legislative history and purpose of Act Aug. 16, 1950, see 1950 U.S.Code Cong.Service, p. 3010.

Library References

Lotteries — 3.
C.J.S. Lotteries §§ 1-10.

preempts
state

§ 1306. Participation by financial institutions

Whoever knowingly violates section 5136A of the Revised Statutes of the United States, section 9A of the Federal Reserve Act, section 20 of the Federal Deposit Insurance Act, or section 410 of the National Housing Act shall be fined not more than \$1,000 or imprisoned not more than one year, or both.

(Added Pub.L. 90-203, § 5(a), Dec. 15, 1967, 81 Stat. 611.)

Historical Note

References in Text. Section 5136A of the Revised Statutes of the United States, referred to in text, is classified to section 25a of Title 12, Banks and Banking.

Section 9A of the Federal Reserve Act, referred to in text, is classified to section 339 of Title 12.

Section 20 of the Federal Deposit Insurance Act, referred to in text, is classified to section 1829a of Title 12.

Section 410 of the National Housing Act, referred to in the text, is classified to section 1730c of Title 12.

Effective Date. Section effective Apr. 1, 1968, see section 6 of Pub.L. 90-203, set out

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THE LEGISLATURE

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Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

HB 587
House Labor & Commerce

4/24/90

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United States Senate

COMMITTEE ON APPROPRIATIONS

WASHINGTON, DC 20510-6025

JAMES H. ENGLISH, STAFF DIRECTOR
J. KEITH KENNEDY, MINORITY STAFF DIRECTOR

March 28, 1990

Diane Kaplan
Alaska Public Radio Network
4640 Old Seward Highway
Suite 202
Anchorage, Alaska 99503

Dear Diane:

I understand that the Alaska Public Radio Network has submitted a permit application to conduct a broadcast lottery game in Alaska. Public broadcasting deserves more support and needs additional funding.

Fundraising activities have the potential to help APRN establish an endowment to support public broadcasting over the long term. Such an endowment will assure improved access to public broadcasting services for years to come -- and at no additional public expense.

The importance of public broadcasting to Alaska can't be understated. Public broadcasting needs support from many sources, and this includes innovative approaches to fundraising.

With best wishes,

Cordially,


TED STEVENS

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January 13, 1989

BY TELECOPIER

Ms. Diane Kaplan
General Manager
Alaska Public Radio Network
4640 Old Seward Highway
Suite 202
Anchorage, Alaska 99503

Re: Amendments to Federal Statutes Regulating
the Broadcast of Lottery Information

Dear Diane:

At your request, I am writing to confirm our previous discussions regarding the impact of the 1988 amendments to Sections 1304 and 1307 of the Federal Criminal Code, 18 U.S.C. §§ 1304, 1307. As you know, those provisions prohibited the broadcast of any information promoting lotteries (or other forms of gambling) save for certain narrow exceptions. The 1988 amendments substantially expanded on those exceptions in a way that should enable APRN to conduct certain over-the-air lotteries for fund-raising purposes.

As is germane to APRN, the amended statute permits the broadcast of information promoting a lottery which is conducted in accordance with state law (or is not otherwise prohibited by state law) so long as the lottery is being conducted by (and the proceeds are for the benefit of) a non-profit organization, the non-profit status of which is recognized by the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code. Assuming that APRN qualifies for such non-profit status and, further, that its conduct complies with relevant state law, APRN should be able to engage in the sort of over-the-air fund-raising activity that I understand is being contemplated: i.e., selling "game cards" (possibly bingo or some other type of lottery game) at retail outlets (the proceeds from such sales going to APRN) which listeners will then use to play periodic (e.g., once per week) games that will be broadcast live over the network, with some accurate and secure method of ensuring that there is only

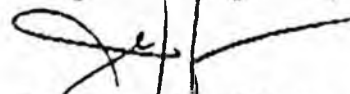
Ms. Diane Kaplan
January 13, 1989
Page 2

one winner per game and that such winner can be readily identified.

One caveat must be mentioned regarding the above. The relevant amendments do not become effective until the spring of 1990, eighteen months after the legislation adopting the amendment in question was signed by the President. Thus, APRN must wait until then before initiating this service.

If you need anything further, please call.

Very truly yours,



Jeffrey H. Olson

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A Memo To Our Clients . . .

March 15, 1990

LIBERALIZED LOTTERY RULES BECOME EFFECTIVE SHORTLY

May 7, 1990 is the effective date for the Charity Laws Advertising Clarification Act of 1988. This legislation will significantly relax the prohibition against broadcasts involving lotteries (see our memo of May 22, 1989). At present, the Federal criminal code and related Commission regulations prohibit the broadcast of lotteries or of advertising or information concerning lotteries except for broadcasts involving certain types of fishing contests and lotteries conducted by the State in which the broadcasting station is licensed or in an adjoining state.

The Act will significantly broaden the current exceptions to the lottery ban. It will permit advertising or broadcast of other information concerning lotteries conducted by any state as long as the station is licensed in a state that conducts a lottery. The revised exemption will also allow broadcasters to air advertisements and other information concerning "a lottery, gift enterprise, or similar scheme" conducted by a governmental or not-for-profit organization or conducted as a promotional activity by a commercial organization as long as that promotion is "clearly occasional and ancillary to the primary business" of the commercial organization. You should note that current restrictions concerning on-air fund-raising for unrelated non-profit organizations will continue to apply in the lottery context.

SUMMARY: The Charity Games Advertising Clarification Act will relax the Federal ban on broadcasts involving lotteries. The Act will generally permit broadcasters, where allowed by State law, to air lotteries or information concerning lotteries conducted by any State, by non-profit and governmental organizations and by commercial organizations on a clearly occasional and ancillary basis.

EFFECTIVE DATE: May 7, 1990.

#2034-AP

The only requirement related to advertising a lottery conducted by a commercial entity is that the lottery must be "conducted as a promotional activity" and that the activity must be "clearly ancillary to the primary business of that entity." This prerequisite was apparently included to prevent companies from springing up whose only business would be to conduct lotteries and similar "contests."

As a result, the business opportunities created for broadcasters are enormous. Some examples of such opportunities are:

- o ~~Traditional~~ ~~tie-in businesses~~, including record stores, stereo equipment retailers, television and videocassette merchants and video rental stores will be able to conduct "lotteries," with products they feature as prizes. Such contests will promote both their business as a whole, as well as the particular product. Such additional advertising could be expanded by a station doing live remote broadcasts from the advertiser's location as well as the usual spots.
- o Virtually all other commercial entities which sell a product or a service will be able to conduct "lotteries," with their products as prizes, to promote their business. Some of the more lucrative types of businesses include auto dealers, major appliance retailers, furniture outlets, computer equipment dealers, restaurants, clothing stores and the retail grocery industry. Creative thinking and aggressive marketing by broadcasters can open the entire range of business to engage in the conducting of lotteries, using broadcast stations to promote them.
- o In the case of both non-profit and commercial entities, broadcasters can use their on-air personnel, equipment and physical facilities to offer a service to ~~actually conduct lotteries and similar events~~. Many broadcast operations already have subsidiaries in existence which offer the services of disc jockeys and announcers for various events. Such subsidiaries could be used to market these new "lottery" services as well.
- o Generally, broadcasters should expect to see increased advertising revenues as a result of the new law, as more and more entities create lotteries and similar events. The creation and conduct of lotteries will be worth researching and could be used as an additional marketing device, as well as a new service to sell.

Congress also passed the "Indian Gaming Regulatory Act," which allows broadcasters, in most cases, to advertise Indian "bingo" and certain card games. The rules and definitions in the Indian Gaming law are rather complex, but the law still offers a

*State of Alaska
Department of Commerce and Economic Development
Division of Occupational Licensing
Games of Chance and Skill Section*

1989 Charitable Gaming Annual Report

**This report is compiled as required by
Alaska Statute 05.15.090**

**Larry Mercurieff
Commissioner**

April 20, 1990

ALASKA

**DEPARTMENT OF COMMERCE
AND ECONOMIC DEVELOPMENT
DIVISION OF OCCUPATIONAL LICENSING**

1989 CHARITABLE GAMING ANNUAL REPORT

TABLE OF CONTENTS

	<u>Page</u>
The Year in Review	1
Major Charitable Gaming Issues	2
Licensed Operators	4
Pull-Tab Distributors	5
Permittees	6
Compliance	6
Statistical Data Overview	7
Charitable Gaming Statistics	
A. 1960 - 1989 Gaming Receipts, Expenses and Net Proceeds	8
B. 1960 - 1989 Gross Receipts and Net Proceeds (Graph)	9
C. 1975 - 1989 Gross Receipts and Net Proceeds (Graph)	10
D. 1988 Reported Permittee Activity	11
E. 1989 Reported Permittee Activity	12
F. 1989 Reported Operator Activity	13
G. 1989 Gross Receipts by Gaming Activity (Graph)	14
H. 1989 Gross Receipts Distribution (Graph)	15

THE YEAR IN REVIEW

The Alaska Gaming Reform Act of 1988 (HB 299, Chapter 99, SLA 1988) took effect on September 2, 1988. The state's games of chance and contests of skill program has undergone major changes since that date. Many of the issues that were addressed in the Reform Act are still being dealt with by the present administrators of the program.

During the period of September 2, 1988 to June 30, 1989, many provisions of the new law were not fully implemented or, more importantly, enforced. This may partially be explained by the fact that the Department of Revenue was transferring administration of the program to the Department of Commerce and Economic Development, Division of Occupational Licensing, on July 1, 1989. The transfer was accomplished under Executive Order No. 74.

Since transfer of the gaming program, the Division of Occupational Licensing -- responding to numerous industry complaints and a very large increase in gaming activity within the state -- has taken an active role in administration of the program. Regulations affecting the ability of the division to effectively enforce the law were drafted and public hearings were held statewide. These regulations are presently in the Attorney General's office undergoing final review prior to implementation.

Additional staff have been hired: a manager for the Gaming Program (authorized in the FY 90 budget) and a receptionist. The division opened a Fairbanks field office and transferred an investigator previously housed in Juneau to that office; the new (part-time) receptionist is also located in Fairbanks. The division now has offices in Anchorage, Juneau, and Fairbanks to serve both the gaming industry and the public.

Charitable gaming in Alaska has moved out of the bingo halls and into many retail and eating establishments and bars in almost every community in the state. The proliferation of pull-tab sales since the adoption of the Reform Act has had a marked impact on many of these communities. It is the intent of the division to fund a study to more accurately determine the social and economic characteristics of those actively involved as consumers of gaming activities and to assess community impacts.

From the outset of transfer of the program to this department, it was apparent that many persons not licensed as operators were nevertheless conducting gaming activities on behalf of organizations holding valid gaming permits (hereinafter "permittees"). The result of this illegal activity has been difficult to measure due to the lack of proper accountability and reporting by the unlicensed operators. We are aware, however, of at least one bingo hall operation run by an unlicensed individual which closed its doors late last fall having failed for over six months to remit any gaming proceeds to many of the organizations lending their permit to the unlicensed operation.

The division has utilized staff from its other licensing areas to aid the gaming staff in organizing and managing the program and its work load. The division has fully automated the program, including development of a data base which was used to produce the statistical data provided in this report. This is the first comprehensive capturing of the annual financial statements filed by permittees. Because the 1988 data was not complete when last year's report to the Legislature was filed, the division has included both final 1988 financial statement data as well as all the data from the 1989 financial statements received through April 15, 1990.

FY 90 gaming revenue from (a) gaming licensing fees, (b) the 3% pull-tab assessment, and (c) the 1% net proceeds fee presently totals \$1.26 million. We estimate total gaming revenue for FY 90 to reach \$1.5 million, with less than one-third of those funds appropriated to administration of the program itself. The remaining \$1.0 million is available to the general fund.

MAJOR CHARITABLE GAMING ISSUES

Below is a listing of a number of the current major issues identified by the division pertaining to charitable gaming in Alaska. It is by no means an exhaustive list.

1. Statutory amendments and/or comprehensive regulations are needed to address the following issues:
 - A. Vendor (third party) sales of pull-tabs.
 - B. Advertising and conduct of gaming activities on the airwaves.

- C. Licensing of out-of-state manufacturers.
 - D. Reduction of the operator bonding requirement, or enactment of a surety fund to protect permittees.
2. Increased gaming staff is needed to provide training for permittees and to further insure compliance with gaming statutes and regulations.
 3. A comprehensive review of the criteria for establishing the eligibility of an organization to qualify for a gaming permit is needed to determine whether all presently licensed permittees are truly "qualified" organizations and whether the existing statutory language is too broad or needs clarification. We are also concerned that permits have been issued to organizations that do not meet existing criteria.
 4. There must be a thorough review of the use of gaming-derived proceeds by permittees and operators. Some questions to consider:
 - a. Are only authorized, bona fide, and reasonably necessary fees and expenses being deducted from proceeds by operators and vendors? Given the present 1989 gaming data, we are concerned, despite the obvious growth in gaming activity, that permittees are receiving a smaller percentage of the charitable gaming dollars spent in the state.
 - b. Are net proceeds going to permittees being properly used by the permittee to benefit persons within that permittee's local community and are the funds expended for legitimate uses? Given the growth of gaming fund-raising occurring statewide through vendor and operator sales, how do we determine proper "local" expenditures by permittees?

LICENSED OPERATORS

Under the Alaska Gaming Reform Act, AS 05.15.100 was amended by adding a new subsection authorizing the department to issue operator licenses to natural persons, qualified organizations, or municipalities to conduct charitable gaming activities on behalf of authorized permittees. Licenses are effective for a calendar year.

The state issued seven (7) operator licenses in 1988 and twelve (12) licenses in 1989. Operator-conducted gaming activity now accounts for almost 50% of the total gross for charitable gaming.

As of April 15, 1990, the department had received nineteen (19) applications and has issued fifteen (15) operator licenses for 1990. The increase is directly attributable to the division's enforcement of the Reform Act's operator licensing requirements.

Operator Statistics

These statistics reflect the gaming activity conducted by licensed operators on behalf of permittees:

	<u>1988*</u>	<u>1989*</u>
Gross Income	\$20,584,176	\$53,583,880
Prizes Awarded	[16,757,968]	[41,409,338]
AGI (Adjusted Gross Income**)	3,826,208	12,174,542
Operator Fees and Expenses	[3,156,570]	[10,617,760]
Total Net Proceeds to Permittees from Operators	<u>\$ 675,393</u>	<u>\$2,497,075</u>
Percentage of AGI Paid to Permittees	18%	21%
Net Proceeds as a Percentage of the Gross	3%	5%

*These figures are based on unaudited permittee reports; therefore, the gross receipts minus the prizes awarded and operator fees and expenses do not balance to the reported permittee net proceeds.

**The Adjusted Gross Income (AGI) is defined as gross income less prizes awarded and any state, federal or municipal taxes paid or owed on the income.

PULL-TAB DISTRIBUTORS

Under the Alaska Gaming Reform Act, AS 05.15 was amended by adding a new section, AS 05.15.184, authorizing the department to issue pull-tab distributor licenses to persons distributing pull-tabs to permittees. The section also requires pull-tabs to be distributed from a location in Alaska only. Licenses are effective for a calendar year.

The department issued 15 pull-tab distributor licenses in 1988 and 23 licenses in 1989. Licensed pull-tab distributors were located in the following cities:

	<u>1988</u>	<u>1989</u>	<u>1990</u> (as of 4/15/90)
Anchorage	7	12	12
Cordova	1	1	1
Fairbanks	4	5	4
Juneau	1	1	1
Ketchikan	1	1	1
Nome	0	1	1
Sitka	0	1	1
Wasilla	<u>1</u>	<u>1</u>	<u>1</u>
Total	<u>15</u>	<u>23</u>	<u>22</u>

PERMITTEES

The following is a breakdown of charitable gaming permits issued to qualified organizations and municipalities under AS 05.15.020 for the last ten years:

<u>Year</u>	<u>Number of Permits</u>
1979	564
1980	578
1981	622
1982	703
1983	779
1984	763
1985	788
1986	1,011
1987	1,040
1988	1,026
1989	1,042
1990 (as of 04/15/90)	425

COMPLIANCE

The division has opened a total of 32 investigations since January 1, 1990. These range from counterfeit pull-tabs to potential embezzlement. Seventeen (17) notices of violations have been issued since January 1, 1990. These range from minor infractions to operating without licenses and permits.

The division has implemented a policy of requiring all 1989 annual financial statements to be filed prior to the issuance of a 1990 permit. This has resulted in many permit applications and financial statements being returned for additional documentation prior to a 1990 permit being issued. In past years, permits were automatically renewed and the annual financial reports were often either not filed or in substantial noncompliance. Holding the permit pending compliance has increased effective reporting and has enforced compliance with gaming laws and regulations.

We have completed three field audits of pull-tab distributors and will have audited all distributors by year's end. All operators will also be audited.

STATISTICAL DATA OVERVIEW

The data shows substantial growth in gross charitable gaming receipts but a reduction in net proceeds available to permittees:

	<u>1986</u>	<u>1987</u>	<u>1988*</u>	<u>1989*</u>
Gross Receipts	\$63,936,774	\$62,163,749	\$87,524,470	\$115,160,891
Prizes Awarded	[48,182,821]	[51,613,746]	[69,095,076]	[86,319,035]
Expenses and Taxes	<u>[7,096,773]</u>	<u>[6,358,015]</u>	<u>[10,982,399]</u>	<u>[16,554,602]</u>
Net Proceeds	<u>\$ 8,657,180</u>	<u>\$ 4,191,988</u>	<u>\$10,256,316</u>	<u>\$ 9,141,529</u>

Accompanying this report are additional tables and graphs providing further data regarding the state's gaming activities. The division will issue a final report once all 1989 financial statements have been received and a number of significant audits have been completed.

Questions regarding the information contained in this report should be addressed to John Hansen, Gaming Program Manager, or Randall Burns, Division Director.

 *Annual statements are unaudited, resulting in statistics based on reports as filed; therefore, gross receipts less prizes and taxes do not balance to total reported net proceeds.

CHARITABLE GAMING STATISTICS

- A. 1960 - 1989 Gaming Receipts, Expenses and Net Proceeds
- B. 1960 - 1989 Gross Receipts and Net Proceeds (Graph)
- C. 1975 - 1989 Gross Receipts and Net Proceeds (Graph)
- D. 1988 Reported Permittee Activity
- E. 1989 Reported Permittee Activity
- F. 1989 Reported Operator Activity
- G. 1989 Gross Receipts by Gaming Activity (Graph)
- H. 1989 Gross Receipts Distribution

Department of Commerce and Economic Development
 Division of Occupational Licensing
 Games of Chance and Skill Section

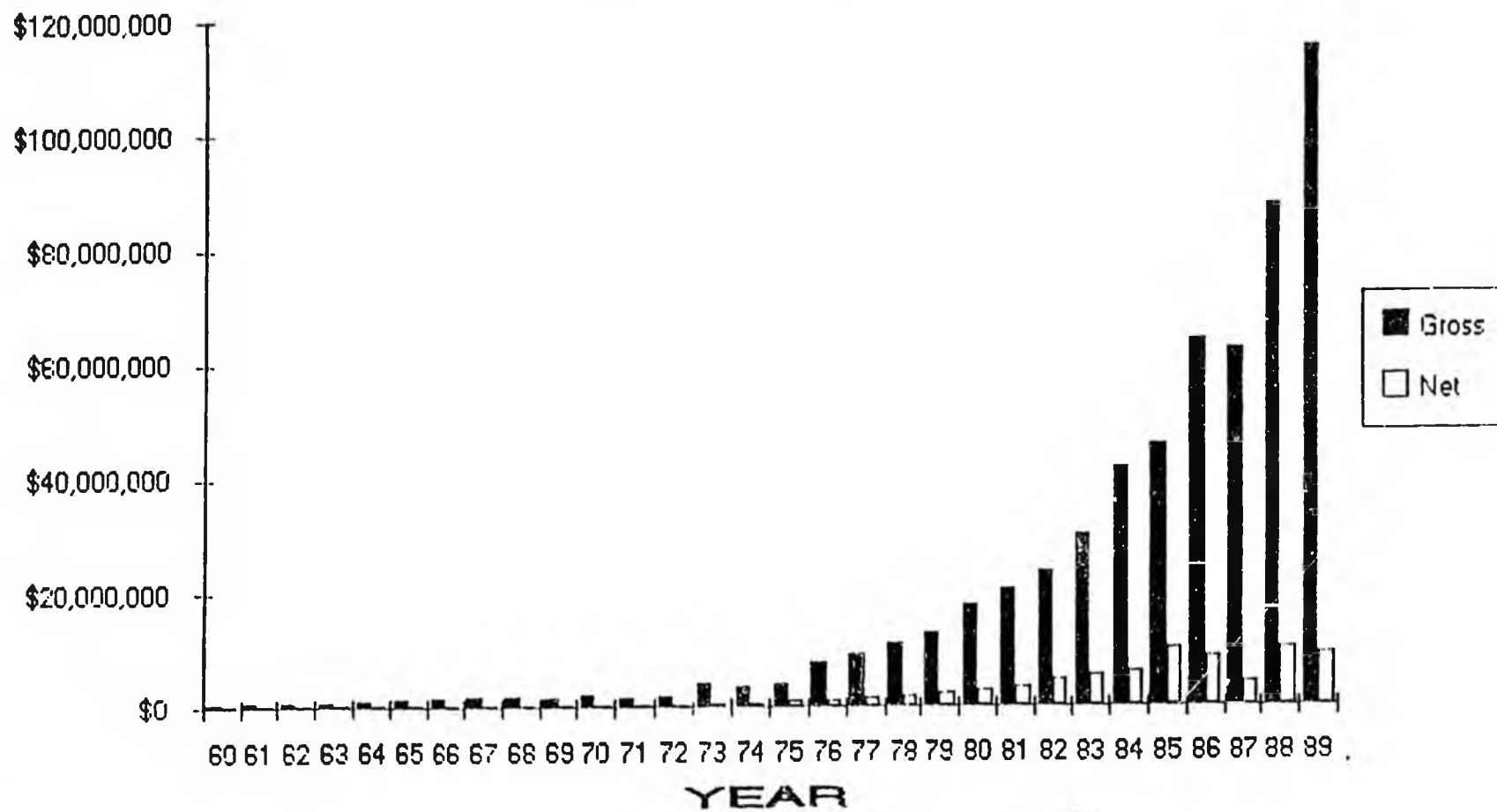
GAMING RECEIPTS, EXPENSES AND NET PROCEEDS
1960-1989

<u>YEAR</u>	<u>PERMITS ISSUED</u>	<u>GROSS RECEIPTS</u>	<u>PRIZES AND EXPENSES AND TAXES</u>	<u>NET PROCEEDS</u>
1960	162	\$ 649,793	\$ 553,440	\$ 96,363
1961	283	793,506	630,562	162,944
1962	284	734,619	599,550	135,069
1963	293	906,073	713,172	192,901
1964	333	1,035,506	861,949	173,637
1965	339	1,375,022	1,184,815	190,207
1966	386	1,516,289	1,253,442	262,847
1967	386	1,790,560	1,529,155	261,405
1968	406	1,970,723	1,654,935	315,788
1969	419	1,558,197	1,265,360	292,359
1970	394	2,101,408	1,716,170	385,238
1971	418	1,735,671	1,398,125	337,546
1972	457	1,928,404	1,621,008	307,396
1973	469	4,154,869	3,508,589	646,280
1974	505	3,318,427	2,838,173	480,254
1975	441	3,894,584	2,784,566	1,110,018
1976	443	7,477,337	6,400,297	1,077,040
1977	490	9,093,043	7,481,551	1,611,492
1978	550	11,046,034	9,214,874	1,831,160
1979	564	12,766,697	10,499,542	2,267,155
1980	578	17,641,692	14,828,135	2,813,557
1981	622	20,534,498	17,117,447	3,417,051
1982	703	23,644,716	18,844,032	4,800,684
1983	779	30,126,943	24,641,267	5,485,676
1984	763	41,666,994	35,744,570	5,922,424
1985	788	45,779,308	35,705,733	10,073,575

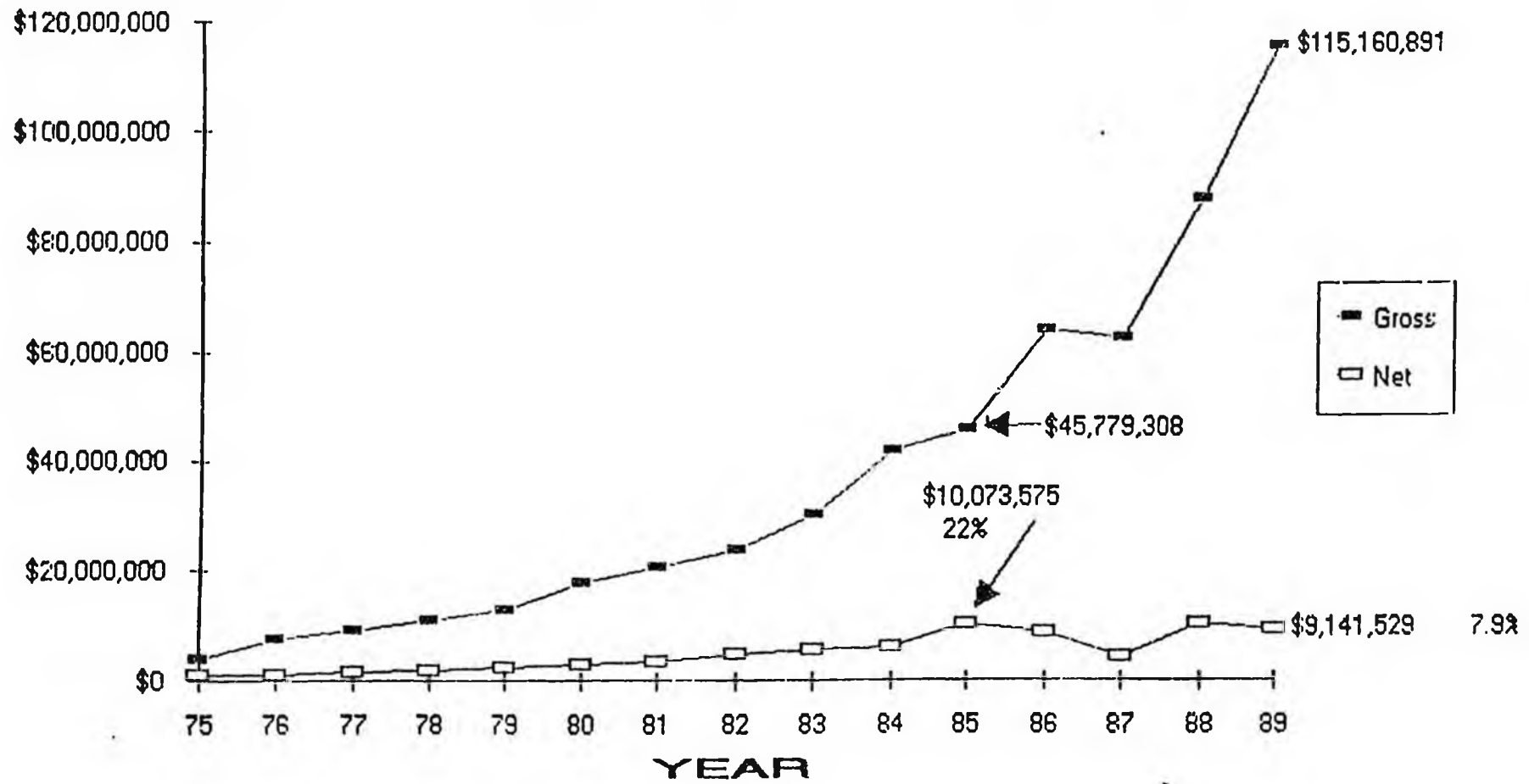
<u>YEAR</u>	<u>PERMITS ISSUED</u>	<u>GROSS RECEIPTS</u>	<u>PRIZES</u>	<u>EXPENSES AND TAXES</u>	<u>NET PROCEEDS</u>
1986	1,011	\$63,936,834	\$48,182,821	\$ 7,097,123	\$ 8,656,890
1987	1,040	62,163,749	51,613,746	6,358,015	4,191,988
1988*	1,026	87,524,470	69,095,076	10,957,143	10,256,316
1989*	1,042	115,160,891	86,319,035	16,564,602	9,141,529

*1988 and 1989 Annual Statements are unaudited, resulting in statistics based on reports as filed; therefore, the gross receipts minus prizes, expenses and taxes do not balance to reported permittee total net proceeds.

Annual Gross Receipts and Net Proceeds



Annual Gross Receipts and Net Proceeds



Department of Commerce and Economic Development
 Division of Occupational Licensing
 Games of Chance and Skill Section

PERMITTEE ACTIVITY
1988

Gross Receipts	\$87,524,470.81*
Taxes	[25,256.00]
Prizes Awarded	[69,095,076.45]
Expenses	[<u>10,957,143.61</u>]
Net Proceeds	<u>\$10,256,316.82</u>
Percent Net Proceeds of Gross Receipts:	11.7%

Breakdown of Expenses:

Rent	\$1,497,446.88	Ticket Printing	\$ 72,645.88
Janitorial	273,710.64	Pull-Tab Purchase	1,463,966.43
Utilities	286,074.37	Bingo Supplies	200,748.42
Building Repair	176,354.00	Supplies	416,075.28
Building Depreciation	199,869.88	Other Printing	239,804.99
Building Insurance	159,432.89	Postage	34,333.39
Contract Services	1,145,639.45	Equipment Purchase	170,507.79
Accounting	81,980.00	Equipment Repairs	18,708.07
Wages	2,259,437.01	Non-Alcoholic	158,793.33
Payroll Taxes	193,346.52	Door Prizes	349,592.70
Prof. Services	0.00	Advertising	0.00
Permit Fees	23,881.87	From Operator (Expenses)	55,156.65
Pull-Tab Tax	128,622.49	Door Prizes	0.00
Other Expenses	1,270,288.87		

*All numbers are as reported by the permittees and may not balance.

Department of Commerce and Economic Development
 Division of Occupational Licensing
 Games of Chance and Skill Section

PERMITTEE ACTIVITY
1989

Gross Receipts	\$115,160,891.14*	
Taxes	[9,576.79]	
Prizes Awarded	[86,319,035.34]	
Expenses	[16,554,602.21]	
Net Proceeds	<u>\$ 9,141,529.23</u>	
Percent Net Proceeds is of Gross Receipts:		7.9%

Breakdown of Expenses:

Rent	\$1,754,230.04	Ticket Printing	\$ 70,707.84
Janitorial	261,565.71	Pull-Tab Purchase	2,009,454.14
Utilities	229,612.23	Bingo Supplies	241,414.39
Building Repair	166,461.89	Supplies	453,025.60
Building Depreciation	84,530.79	Other Printing	293,143.44
Building Insurance	113,563.50	Postage	57,108.41
Contract Services	2,404,351.07	Equipment Purchase	216,855.68
Accounting	510,277.68	Equipment Repairs	11,985.01
Wages	3,149,686.13	Non-Alcoholic	141,274.72
Payroll Taxes	477,694.52	Door Prizes	283,155.72
Prof. Services	0.00	Advertising	0.00
Permit Fees	81,581.38	From Operator (Expenses)	1,551,900.46
Pull-Tab Tax	592,738.53	Door Prizes	0.00
Other Expenses	1,552,887.74		

*All numbers are as reported by the permittees and may not balance.

Department of Commerce and Economic Development
 Division of Occupational Licensing
 Games of Chance and Skill Section

OPERATOR STATISTICS
 1989

These statistics reflect the gaming activities conducted by licensed operators on behalf of permittees for 1989.

<u>Name of Operator</u>	<u>Gross Receipts</u>	<u>Prizes Awarded</u>	<u>Adjusted Gross Income</u>	<u>Percent of Net Proceeds to AGI</u>	<u>Net Proceeds to Permittees</u>
Edward A. Dilley	\$ 9,521,662.67	\$ 7,730,977.46	\$ 2,150,685.21	15.79%	\$ 339,797.08
Jay H. Hunison	4,574,822.00	3,561,415.00	1,013,407.00	25.41%	257,583.36
Robert Thomas	7,084,200.00	3,854,898.00	3,229,302.00	18.26%	589,732.00
Sue Griffin	16,960,378.00	13,667,221.00	3,292,157.00	24.87%	818,768.00
Shizue Ruebel	243,443.00	200,378.50	43,064.50	37.31%	16,068.24
Dwight McBride	2,631,174.00	2,030,929.00	600,245.00	15.00%	90,038.00
Steve Cooper	424,661.50	319,820.51	104,840.99	9.56%*	10,032.73
Kenneth A. Dole	15,500.00	6,000.00	[9,500.00]	**	[10,602.13]
Joseph Nyquist	5,876,022.50	4,658,152.24	1,217,870.26	15.82%	192,715.56
John Bloomfield	1,761,047.00	1,310,602.00	450,445.00	15.09%	67,987.00
Peter D. Kraemer	4,591,107.50	3,854,670.00	736,437.50	14.02%	103,294.97
Ruth Shannon	677,195.00	527,759.00	149,436.00	15.00%	22,415.00
Totals	<u>\$54,361,213.17</u>	<u>\$41,722,822.71</u>	<u>\$12,638,390.46</u>		<u>\$2,497,829.81</u>

These figures are based on the unaudited reports filed by operators and differ from the figures compiled from the reports filed by permittees (see page 4); therefore, the gross receipts minus the prizes awarded may not equal the adjusted gross receipts.

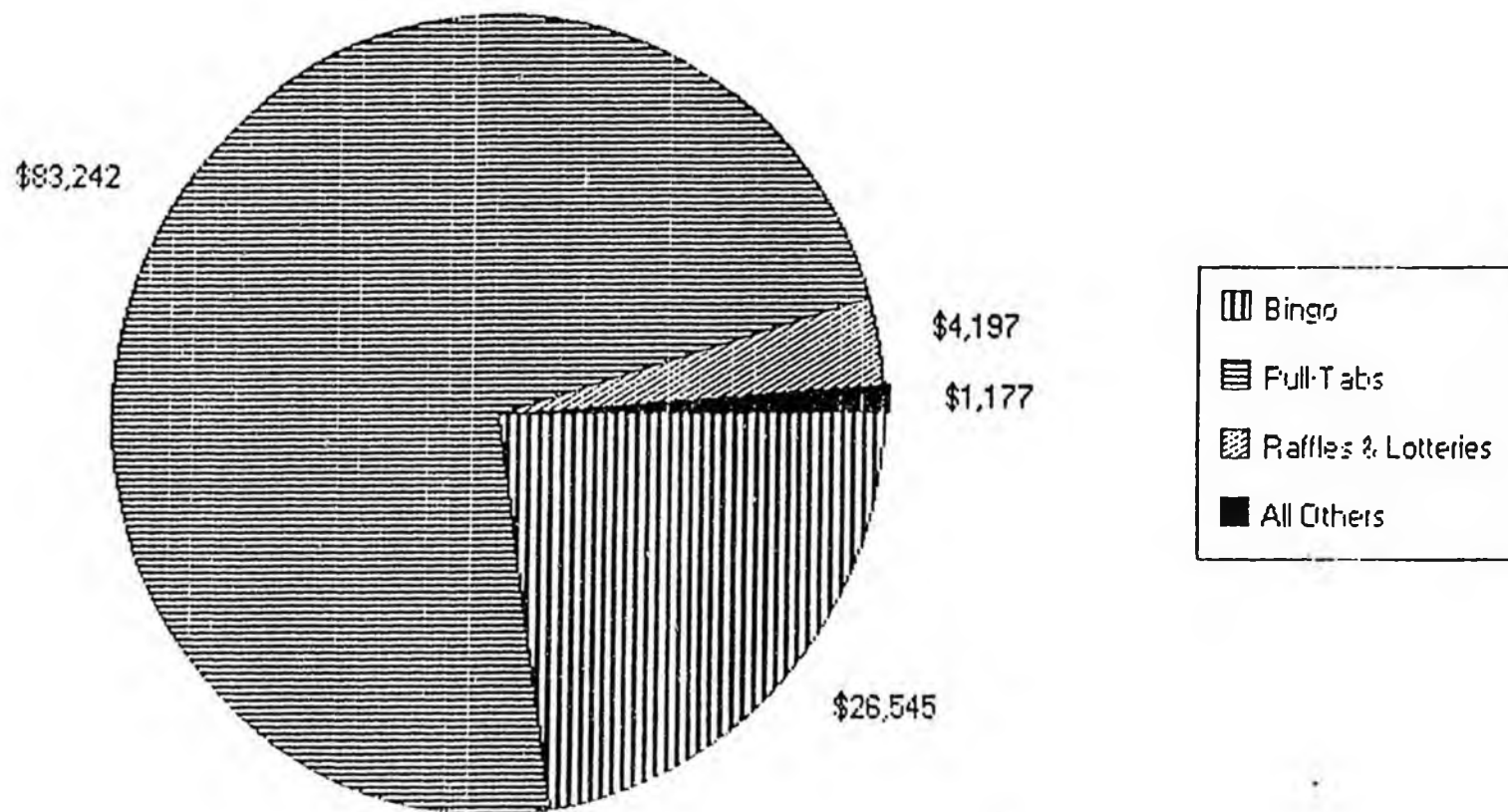
"Net proceeds" are the amounts operators paid to the various permittees on whose behalf the operators conducted gaming activities. The minimum that operators are required to pay the permittees is 15% of the "adjusted gross income." For purposes of determining whether an operator is in compliance with this requirement, one has to review the amount paid to each individual permittee and not the reported total amounts stated above.

The Adjusted Gross Income (AGI) is defined as gross income less prizes awarded, and any state, federal or municipal taxes paid or owed on the income.

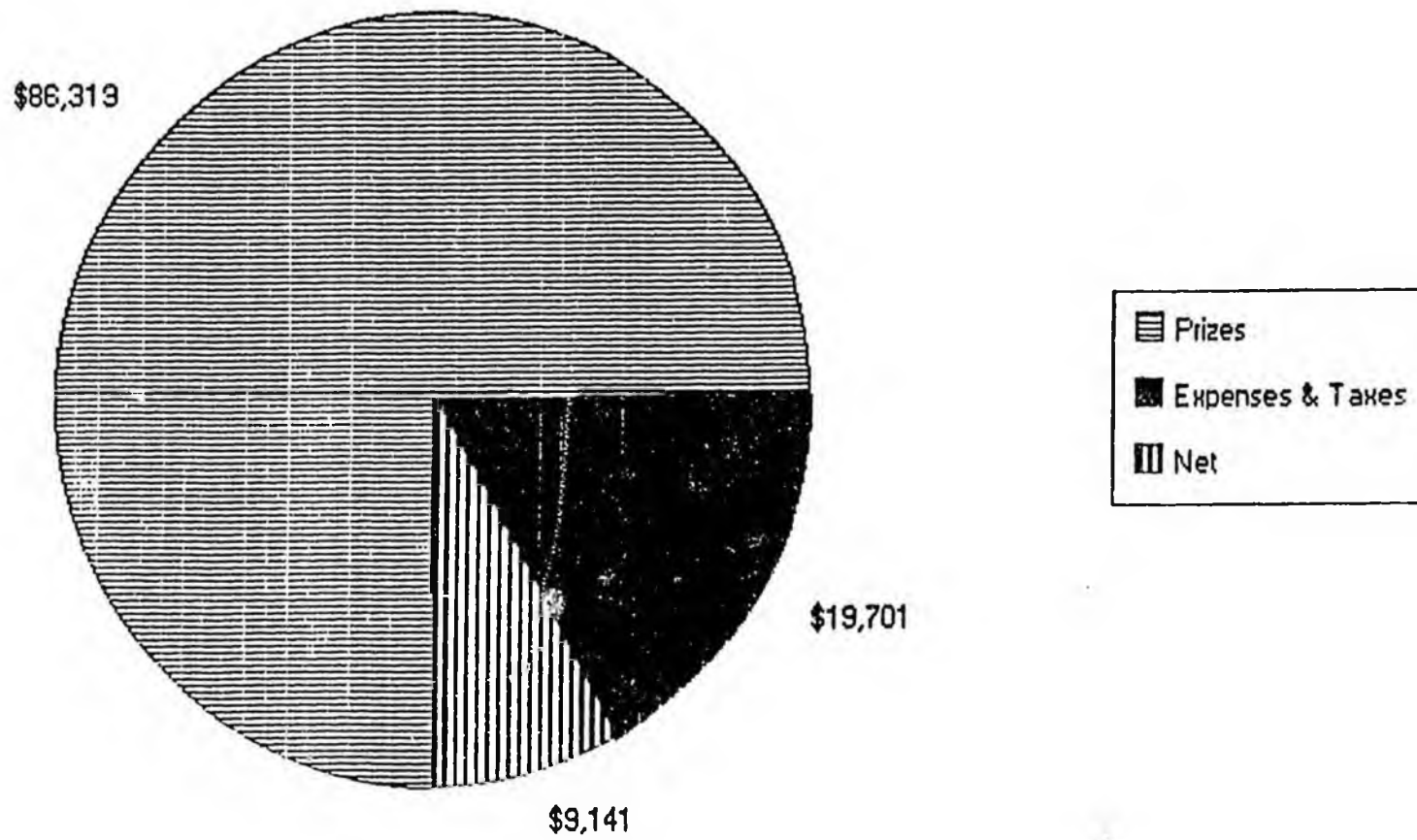
*Failure to remit at least 15% of AGI resulted in the suspension of this operator's license.

**This operator was in operation for only the last quarter of 1989. If he fails after the first quarter of 1990 to remit 15% of the AGI to his permittees, his license will be suspended.

1989 Gross Receipts by Gaming Activity
Total \$115,161 Thousands



1989 Gross Receipts Distribution
Total \$115,161 Thousands



Except that if a grant is awarded to the Alaska Public Radio Network to conduct a study and test of an on air fundraising game to benefit public broadcasting, the Department of Commerce and Economic Development may issue a permit under AS 05.15.100 for a one time only test period on non-commercial broadcasting.

Rich wanted
you to consider
this - just
in case



Alaska Juneau
Communications, Inc.

SENATE CS FOR HB 587

May 5, 1990

Dear Senator:

A few days ago you received a letter from me expressing grave concerns about the fairness of HB 587.

Recently our group, the Commercial Broadcasters of Alaska, came into possession of a memo from the Department of Law that would indicate the lack of substantiation for the discrimination against the commercial broadcasters of Alaska.

If public policy issues can be determined through regulatory hearings for public broadcasters, then certainly these and other policy issues can be determined in the same manner for Alaskas commercial broadcasters.

On the other hand, if a moratorium is needed for one arm of the broadcast industry, then it certainly is feasible for the other.

I am attaching the text of our earlier correspondence on this matter in addition to the lengthy memo from the Department of Law that points out the serious concerns they have.

Thank you for reading this information during your hectic final days of the legislative session.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dennis W. Egan', is written over a horizontal line.

Dennis W. Egan

On behalf of the Commercial Broadcasters of Alaska



May 3, 1990

COMMENTS RELATING TO THE MARK-UP OF CS FOR HB-587

There are two issues in HB 587. The first is the question of whether or not the State should provide the Department of Commerce and Economic Development with the authority to issue a gaming permit to the Alaska Public Radio Network (both radio and TV--24 locations) so that they might conduct on-air gaming for purposes of raising funds. This is a major policy issue.

The second issue involving the promotion (advertising) of gaming events (bingo, raffles, ice pools, etc.) is totally unrelated to the major policy question of gambling on the public broadcast network. It is not only totally unrelated but it is an issue which is founded on concerns which are both unjustified and unfair.

The advertising issue came about because of the adoption of the Federal Charitable Advertising and Clarification Act of 1988. Unless a State chose to modify the rights extended under the change, on May 7 commercial broadcasters will have limited authority to promote---either through paid advertisements or public service announcements---gaming events sponsored by non-profit organizations. The State of Alaska had 18 months to respond to this change in Federal law and the Department of Commerce and Economic Development chose not to express their concerns until the past few weeks. Moreover, and it is clear from remarks made by the administration during deliberations in the House, they did not even understand the nature of the changes authorized by the Mass Media Bureau of the Federal Communications Commission. The administration and the sponsor of this bill were concerned that:

1. businesses which operate gaming on behalf of charities would begin an enormous advertising effort on commercial broadcast stations and charge those costs to their overhead, thereby decreasing the amount actually remitted to the charity, or

2. the charities holding the gaming permits would be forced, under their contracts with operators, to initiate advertising campaigns to increase the gross revenues and subsequently the profits of the gaming operators, or

3. charities would devote a larger portion of their program funds to advertising as the result of advertising wars with other charities, or

4. increased advertising or public service announcements for charitable gaming would cause people to spend their money on a raffle ticket instead of food for their children, etc.

The facts in relation to these 4 concerns are:

1. The Enforcement Division of the Mass Media Bureau of the Federal Communications Commission has made it very clear that

- a. persons may not conduct a charitable gaming activity on a commercial broadcast station
- b. operators of games may not advertise or profit from advertising conducted by permit holders.

2. Charities and non-profits who program a certain amount of their funds for the advertising of fund raising events involving prizes for participants do so by purchasing ads through the print media. If the notion of advertising wars of charities spending themselves into financial ruin through grand expenditures on advertising were a real problem we would have seen this over the years in newspaper advertising. When was the last time you saw a 4 page full color supplement for a raffle conducted by the American Cancer Society or a \$25,000 sign advertising bingo tonight at the Alaska Native Brotherhood hall?

3. There is absolutely no justification for the blatantly discriminatory suggestion that holders of non-profit gaming permits be allowed to advertise in one medium and not another.

4. Finally, we have the matter of whether or not people should spend their money on games of chance conducted by non-profit organizations. How politically schizophrenic can we get? On the one hand we have the State of Alaska issuing permits for everything from the Nenana Ice Classic to church raffles. On the other hand we appear to be fearful that people will become aware of those sanctioned activities and actually participate. And, as a final irony, we are apparently encouraging public broadcasters, a broadcasting effort State supported in part, to conduct games of chance on the airwaves, games which involve financial gain to the winners.

Senator, as a commercial broadcaster I would strongly recommend that you amend this bill so that it focuses on the basic request of APRN to conduct gaming, and remove the unjustified interference with the private sector so that commercial broadcasters can conduct their business under the stringent supervision of the Federal Communications Commission.

Beth Kerttula says fed. lang is ambiguous
 + the AG isn't certain if conducting is allowed or not

6-2307J ✓
Gaguine/For
5/4/90

Original sponsor(s): Labor & Commerce Committee

1 IN THE HOUSE

BY THE LABOR & COMMERCE COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 587 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act establishing a moratorium on the use of
7 broadcasting to promote or conduct charitable gaming
8 activity; establishing exceptions to the moratorium;
9 requiring the Department of Commerce and Economic
10 Development to hold hearings on the adoption of
11 regulations concerning the promoting and conducting
12 of charitable gaming activity over broadcasting
13 outlets; and providing for an effective date."

14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

15 * Section 1. Until the effective date of a bill authorizing the use of
16 broadcasting to promote or conduct charitable gaming activity under
17 AS 05.15 a person may not use broadcasting to promote or conduct charitable
18 gaming activity under AS 05.15. In this section, "broadcasting" includes
19 television and radio transmission by 2,500 megahertz, microwave video and
20 audio programming, slow-scan television programming, and programming via
21 satellite, cable, teletype, or facsimile transmission and distribution
22 methods.

23 * Sec. 2. Notwithstanding sec. 1 of this Act, a person may use broad-
24 casting to promote fish derbies, and the Department of Commerce and Econom-
25 ic Development may authorize a noncommercial broadcasting station or net-
26 work of stations to broadcast the conducting of an activity under AS 05.15
27 on the station or network under a permit held by the station or network.
28 The department may not authorize a station to broadcast the conducting of
29 an activity for more than 12 hours in a calendar year. In this section

1 "noncommercial broadcasting station" means a radio or television station
2 that is licensed by the Federal Communications Commission to a governmental
3 entity or to an entity that is exempt from federal taxation under 26 U.S.C.
4 501(c)(3) (Internal Revenue Code).

5 * Sec. 3. The Department of Commerce and Economic Development shall
6 hold hearings around the state, with at least one hearing in each judicial
7 district, for the purpose of adopting regulations to implement sec. 2 of
8 this Act and making recommendations, including consideration of on-the-air
9 promotion, to the legislature no later than January 31, 1991, regarding the
10 promoting and conducting of charitable gaming activities over broadcasting
11 outlets.

12 * Sec. 4. This Act takes effect immediately under AS 01.10.070(c).
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37

SENATE COMMITTEE REPORT

FURTHER

4/8/89

DATE TURNED INTO OFFICE

4/21/89

Mr. President:

L&C

Committee considered

CSHJR 37 (L&C)

repeal or modification of a recent order of the Small Business Administration so that the agency may continue to assist small businesses in Alaska through use of loan guarantees and recommended

- [] replace with ___ CS ___) [] same title
[] or adopt ___ CS ___) [] new title
[] attached amendment(s) and [] technical title change (HB only)
[] ___ letter of intent adopted

[x] do pass

[] do not pass

[] no recommendation

[] individual recommendations

[] further referral to _____

FISCAL NOTE(S) [] zero [] fiscal impact [] appropriation no FN
[] new [] updated [] previous
[x] same as previous zero fiscal note(s) published 4/8/89

MEMBERS SIGNING DO PASS

Handwritten signatures of committee members: [Signature 1], [Signature 2], [Signature 3]

OTHER RECOMMENDATIONS

Blank lines for other recommendations

Chairman signature and recommendation: [Signature]

[] Committee Backup attached

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: CS HJR 37 (L&C)
PUBLISH DATE: HOUSE 4/5/89

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "Requesting repeal of SBA order regarding refinancing of debts"
Sponsor: House Labor and Commerce Comm.
Requestor: _____

Agency Affected: DCED
BRU: Small Business Administration
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
---------	---	---	---	---	---	---

REVENUE	-	-	-	-	-	-
---------	---	---	---	---	---	---

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Representative Dave Donley, Chair
Division: House Labor and Commerce Committee

Phone: 465-4954
Date: 4/4/89

Approved by Commissioner: *Dave Donley*
Agency: House Labor and Commerce Committee

Date: 4/4/89

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

HJR 37
Relating to the Small Business Administration

House Joint Resolution 37 requests the Small Business Administration to repeal or modify its recent order so that the Administration may continue to assist the state's small business by allowing outstanding SBA loans to be refinanced with new SBA loans. Currently small businesses and financial institutions in Alaska are suffering from the present economic recession. The restrictions on the ability to refinance loans through the Small Business Administration will further delay recovery of these small business. I recommend passage of CSHJR 37 (L&C).

ADDITIONAL INFORMATION

According to Don Strain, Deputy District Director, Small Business Administration, the ban prohibiting refinancing of SBA loans was lifted March 27, 1989, and he sees no indication that the ban will be considered again.

The House Labor and Commerce Committee introduced HJR 37 on March 20th and it passed out of committee April 4th. The House passed the resolution April 7th and the Senate Labor and Commerce Committee considered HJR 37 on April 22nd.

Support has been unanimous.



ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY

1577 "C" STREET • SUITE 304 • ANCHORAGE, ALASKA 99501-5177 • (907) 274-1651

M E M O R A N D U M

TO: Board of Directors
Alaska Industrial Development and Export Authority

FROM: Bertram L. Wagnon *[Signature]*
Executive Director

DATE: February 27, 1989

SUBJECT: FEDERAL SMALL BUSINESS ADMINISTRATION PROGRAM (SBA)

Attached is a letter which impacts the Federal SBA program nationwide.

The effect of this directive is that the SBA will no longer allow outstanding SBA loans to be refinanced with new SBA loans. Additionally, no refinance which would result in a reduction of exposure of the participant or other lending institution is permitted.

It was requested that a representative from the SBA be at our Board meeting, however, they are in Washington, D.C. discussing this problem and could not attend.

BLW/ss
attachment

SMALL BUSINESS ADMINISTRATION

SBA NOTICE

NOTICE NO. 5000-242

Cox, Train
Free
gan

TO: All RA's, ARA's F&I, DD's, and ADD's F&I

2-10-89

EFFECTIVE

SUBJECT: Temporary limitation on use of SBA 7(a) loan proceeds for repayment of debt

The demand for 7(a) loan funds currently exceeds available amounts. In order to ease this shortage, effective immediately, new applications for 7(a) business loan guarantees will be subject to the following restrictions:

- o Outstanding SBA loans will not be refinanced with new SBA loans. If a borrower requires additional funds, the new loan will be so structured by reamortization or otherwise that the existing loan remains outstanding.

- o No reduction in a participant lender's exposure or of the exposure of other lending institutions will be permitted. Accordingly, where a participating lender increases its participation percentage to an extent sufficient to cover at least all of the outstanding debt, SBA will extend its guaranty to that part of the loan which does not include the outstanding debt.

Has nothing to do w/ the moratorium

Example: a loan is approved for \$400,000, of which \$50,000 is to pay debt to the participant, \$50,000 to pay debt to another lender, and \$300,000 is for the purchase of machinery and equipment. In this case a 25% participation would be required so that the lender's exposure in the loan will at least

EXPIRES 10/1/89

SBA Form 1353 (3-83)

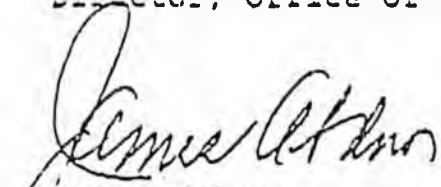
equal the loan amounts used for pre-existing debt payment. An alternative would be to reduce the loan by \$50,000, eliminating payment of the other lender if the participant is unwilling to take more than 15%, and if repayment ability would still exist.

- o Payment of trade payables is not considered debt repayment, but will be treated as working capital. Participating lenders may also continue to make interim advances in anticipation of reimbursement from SBA financing, as provided in SOP 50-10, paragraph 2d.(4).

These debt payment limitations are a temporary constraint to help manage the shortage of funds. In some regions restrictions have already been placed on debt payment. However we must have a consistent national policy. The constraints are effective until further notice.

These restrictions apply to all categories of 7(a) loan guarantees. Development Company (502 and 504) guarantees are not affected.

Any questions should be addressed to Everett Shell, Director, Office of Business Loans (FTS 653-6470)


 James Abdnor
 Administrator

- 2/16
 PER TELECON WITH BOTH REGION & CENTRAL OFFICES:
- 1) REFINANCING PROHIBITION ALSO APPLIES TO FOLC
 - 2) SBA DIRECT FUNDS (VIETNAM VETERAN LOANS) MAY NOT BE USED TO RETIRE AN OUTSTANDING GP LOAN
 - 3) A NEW GP MAY NOT BE USED TO PURCHASE ORRO FROM THE SUBMITTING BANK - OK TO USE A NEW GP TO PURCHASE ANOTHER BANK'S ORRO
 - 4) REFINANCING PROHIBITION APPLIES EVEN IF WE HAVE ALREADY RECEIVED A BANK LETTER ADVISING OF INTERIM FINANCING BEING USED TO PAY OFF SBA GP OR BANK DEBT.

H J R

45

SENATE COMMITTEE REPORT

FURTHER

5/3/89

DATE TURNED INTO OFFICE 5/5/89

Mr. President:

L&C

Committee considered HJR 45

Requesting the Congress to enact legislation requiring local hire on work associated with cleanup operations following diasters

and recommended.

- replace with _____ CS _____) same title
- or adopt _____ CS _____) new title
- attached amendment(s) and technical title change (HB only)
- _____ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

FISCAL NOTE(S) zero fiscal impact appropriation no FN
 new updated previous
 same as previous ^{zero} fiscal note(s) published 4/26/89

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

[Signature]
[Signature]
[Signature]

[Signature]
 Chair: signature and recommendation

Committee Backup attached

FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: "Requesting Congress to
require local hire on disaster cleanup"
 Sponsor: H. Labor and Commerce Comm
 Requestor: Rep. Donley, Chairman

Agency Affected: NO STATE AGENCY
 BRU: N/A
 Components: N/A

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	"	"	"	"	"	"
CONTRACTUAL	"	"	"	"	"	"
SUPPLIES	"	"	"	"	"	"
EQUIPMENT	"	"	"	"	"	"
LAND & STRUCTURES	"	"	"	"	"	"
GRANTS, CLAIMS	"	"	"	"	"	"
MISCELLANEOUS	"	"	"	"	"	"
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	"	"	"	"	"	"
OTHER	"	"	"	"	"	"
TOTAL	"	"	"	"	"	"

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	"	"	"	"	"	"
TEMPORARY	"	"	"	"	"	"

ANALYSIS : (Attach a separate page if necessary)

Prepared by: H. Labor and Commerce Committee
 Division: H. Labor and Commerce Committee

Phone: 465-4954
 Date: 4/25/89

Approved by Commissioner: Rep. Dave Donley, Chair
 Agency: House Labor and Commerce Committee

Date: 4/25/89

Distribution (by preparer):

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