

ALASKA LEGISLATURE COMMITTEE FILES 1991-1992 8672  
6933 HOUSE JUDICIARY

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House Bill 168:

"An Act licensing and regulating pull-tab vendors; authorizing sales of pull-tabs between pull-tab distributors; requiring the giving of notice if a charitable gaming activity location changes; amending the powers of the Department of Commerce and Economic Development to revoke and suspend charitable gaming permits and licenses; restricting the ability of owners, managers or employees of vendors and persons holding charitable gaming permits or licenses to purchase certain pull-tabs; authorizing the Department of Commerce and Economic Development to prohibit violations of the charitable gaming laws; relating to false statements in charitable gaming license and permit applications; relating to maximum annual prize awards; relating to the collection of the pull-tab tax; and providing for an effective date."

The Department of Commerce and Economic Development supports passage of HB 168.

We have some concerns we would like addressed in public testimony and they are so noted.

The proposed legislation in HB 168 by recognizing and setting standards for "third party vendors" will greatly aid in bringing stability and equality of enforcement to the charitable gaming industry.

The department was given responsibility for administration of the Alaska Gaming Reform Act in July of 1989.

Of major concern to the department has been the so-called "third party vendor" issue. Prior to January 1, 1991 and the issuance of the Attorney General's opinion of October 24, 1990, both permittees and operators used vendors (e.g., retail outlets, bars, restaurants) to sell pull-tabs on their behalf. That activity has stopped, except for a very limited basis. The concerns addressed below are directly related to the Bill Analysis and outlines what the department feels is minimally necessary to properly administer, license, and regulate vendors. For those sections that we feel need modifications, we have prepared draft language. Should legislation recognizing vendors as an authorized class not be passed this session, the emergency regulations adopted January 16, 1991 will be made permanent as well as those proposed regulations of November 6, 1990 on which we have already held public hearings. Vendors cannot be authorized by regulation to conduct gaming activity.

Section 4. AS 05.15.095. GENERAL PROVISIONS RELATING TO THE FILING OF APPLICATIONS AND REPORTS AND PAYMENT OF FEES.

We feel that subsection (a) should also be amended to include who may sign the vendor endorsement application and any other required documentation. This is an opportunity to technically clean up the existing Gaming Reform Act of 1988. We propose the following language:

AS 05.15.095(a) is amended to read:

(6) the owner or owner's agent of a retail establishment, an eating establishment, or an establishment licensed under AS 04.11.

Section 7. AS 05.15.180. LIMITATIONS ON AUTHORIZED ACTIVITY.

(g) This section would eliminate the prize awards limitation placed on permittees that contract with a licensed operator to conduct the gaming activities on their behalf and would make equal the allowable prize awards for both the permittee and operator. Prior to passage of the Gaming Reform Act of 1988, the prize limitation was set at \$200,000. The possibility exists that some operators might cut down on the number of charities they represent if they can make their profit goal from a smaller number of charities.

We recommend that the charities (permittees) have an opportunity for public testimony on this issue.

Section 12. AS 05.15.188. PULL-TAB SALES BY VENDORS ON BEHALF OF PERMITTEES AND OPERATORS; VENDOR ENDORSEMENT.

Subsection (d) allows a copy of the permit. To eliminate numerous infractions, the department now issues only site-specific permits or licenses. The word "copy" should be stricken. This section which was originally proposed by the department requires three separate permits or licenses in the instance of a permittee contracting with an operator who also contracts with a vendor. After consultation with the sponsor of HB 168, we suggest this is burdensome and costly for all parties and now believe only the vendor endorsement should be required to be posted at the vendor locations. Therefore, we propose the following language:

(d) The endorsement issued under (c) of this section is an extension of the permittee's or operator's privilege under AS 05.15.100 to conduct pull-tab sales. A vendor may not sell a pull-tab series until the endorsement for the new vendor location and the permit or license has been posted at the vendor location for which the endorsement was issued. The endorsement must be clearly visible to the gaming public.

Subsection (g) requires a written contract between the vendor and permittee or operator. However, it only allows that the department **MAY** inspect the contract.

The department proposes the following language:

(g) A permittee or operator that uses a vendor to sell pull-tabs on its behalf shall enter into a written contract with that vendor and a copy of the contract must be submitted to the department for approval. If the contract contains provisions that violate this chapter or the regulations adopted under it, the department may declare the contract void and refuse to issue a vendor endorsement for that location.

Subsection (i) requires that the contract between the vendor and permittee or operator must provide that the permittee or operator receive no less than 60 percent of the ideal net. It is conclusive that, where the permittee and vendor have entered into a contract, the permittee will receive no less than 60 percent of the ideal net. However, when a permittee contracts with an operator that uses vendors, the 60 percent of ideal net received by the operator is not required to be turned over in whole to the permittee. The operator is then allowed to deduct expenses from this amount and turn over the remaining proceeds to the permittee or simply pay the permittee the minimum 15% of adjusted gross receipts, with the operator retaining the balance as their operator fee. To safeguard the intent of the portion of proceeds that is received by the charity (permittee), we would encourage public testimony from the charities on minimum percentage they would earn if a "third party vendor" were used by the operator. We would endorse limiting the third party vendor to 30-35 percent. If the minimum percentage of adjusted gross receipts method is used, the department suggests 20 percent instead of the current 15 percent would be more appropriate.

At this time, the department also feels that the minimum 15 percent of adjusted gross income required to be paid to the permittee is insufficient for pull-tabs.

If this bill fails to pass this session, as SB 501 and HB 512 failed to pass last session, we will adopt proposed regulations accordingly and set expense limitations to ensure expenses are kept to a reasonable limit as provided by Alaska Statute 05.15.160..

As a whole, this bill may not address all the gaming issues the department has concerns with, but it would clearly authorize the use of vendors and provides the necessary authority for the department to implement those provisions.

*Glenn A. Olds*  
Glenn A. Olds, Commissioner

Date: 3/5/91

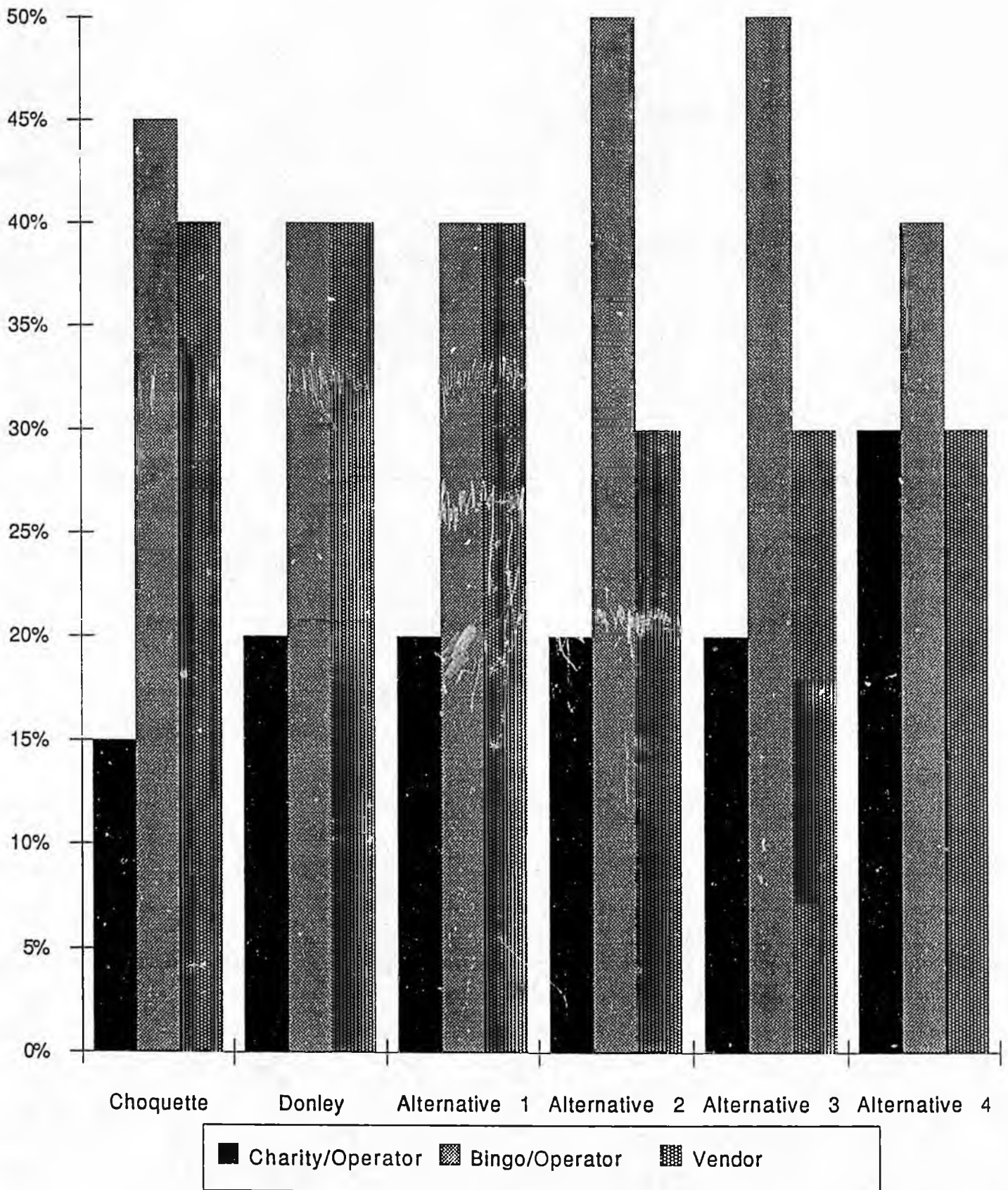
% GAMING BILL

	A	B	C	D	E	F	G	H
1	Charity/Operator	Charity/SD	Bingo/Operator	Rippie/Operator	Vendor			
2								
3	15%		45%		40%			
4	15%			45%	40%		CHOQUETTE	ORIGINAL
5		60%			40%			
6								
7								
8	20%		40%		40%			
9	50%			10%	40%			
10		60%			40%		DONLEY	AMENDMENT
11								
12	20%		40%		40%			
13	40%			20%	40%	ALTERNATIVES		
14		60%			40%			
15								
16	20%		50%		30%			
17	50%			20%	30%			
18		70%			30%			
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24	30%		40%		30%			
25	50%			20%	30%			
26		70%			30%			

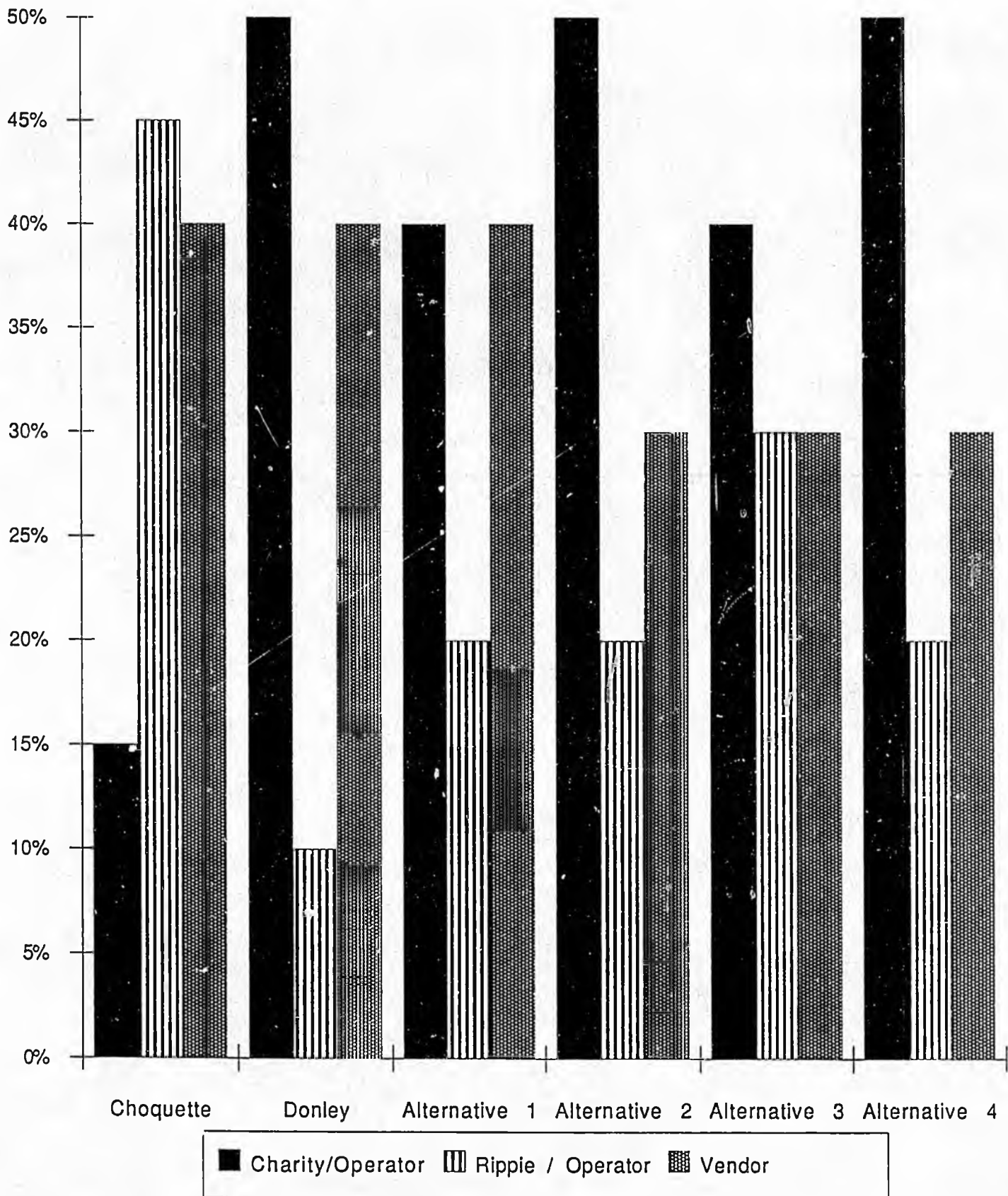
% GAMING BIL2

	A	B	C	D
1	Bill	Charity/Operator	Bingo/Oper.	Vendor
2	Choquette	15%	45%	40%
3	Donley	20%	40%	40%
4	Alternative 1	20%	40%	40%
5	Alternative 2	20%	50%	30%
6	Alternative 3	20%	50%	30%
7	Alternative 4	30%	40%	30%
8				
9		Charity/Operator	Rippie/Oper.	Vendor
10	Choquette	15%	45%	40%
11	Donley	50%	10%	40%
12	Alternative 1	40%	20%	40%
13	Alternative 2	50%	20%	30%
14	Alternative 3	40%	30%	30%
15	Alternative 4	50%	20%	30%
16				
17	Bill	Charity/Self Dir.	Vendor	
18	Choquette	60%	40%	
19	Donley	60%	40%	
20	Alternative 1	60%	40%	
21	Alternative 2	70%	30%	
22	Alternative 3	70%	30%	

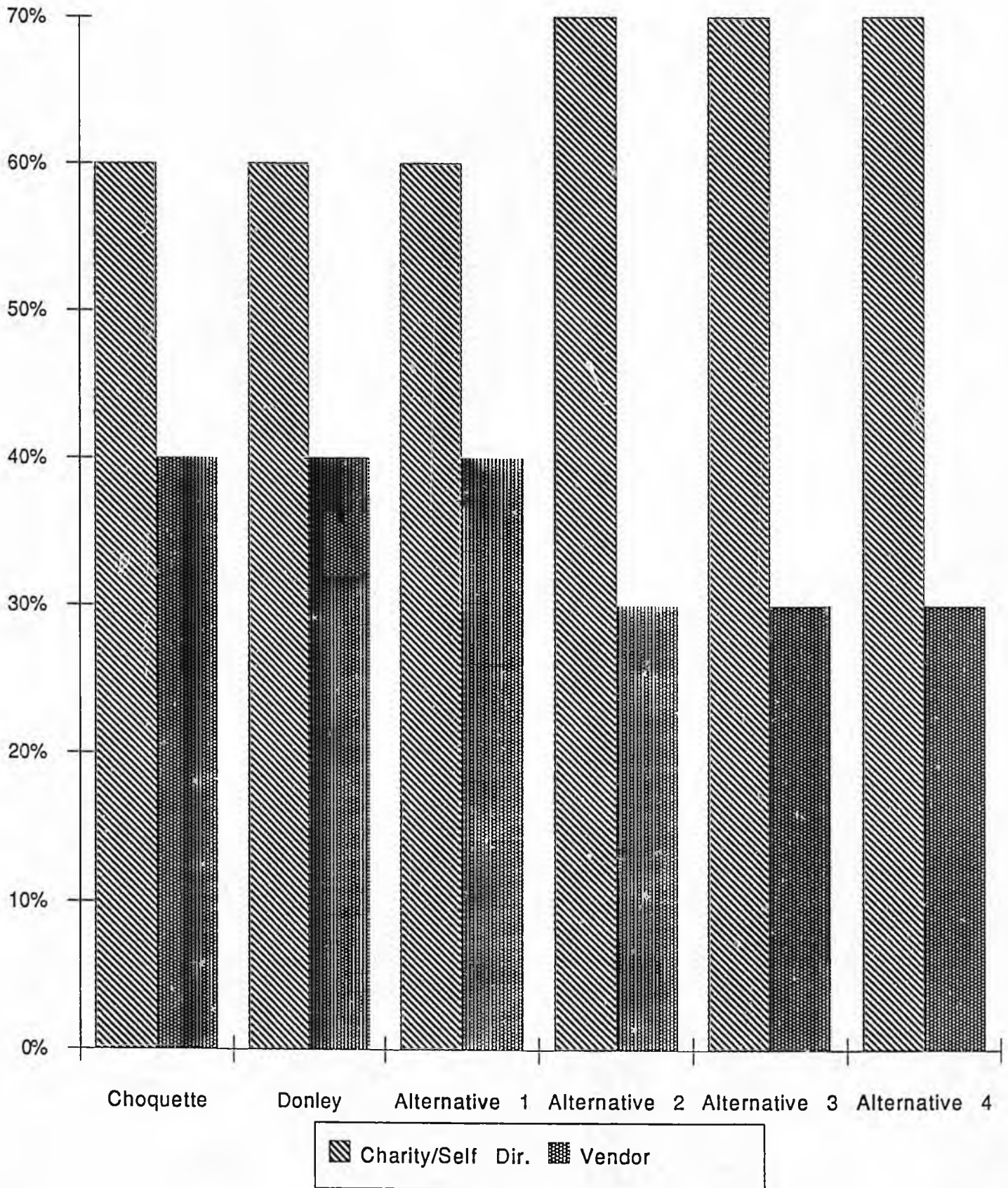
# Charities Using Bingo Halls



## Charities Using Rippie Stores



# Self-Directed Charities Using Vendors



**Ernst & Young**

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April 3, 1991

Dean W. Nelson  
Director of AuditSuite 601  
301 W Northern Lights Blvd  
Anchorage, Alaska 99503  
Telephone: (907) 279-1411Representative David Finklestein  
Labor and Commerce Committee

RE: HOUSE BILL 168

PULL-TAB OPERATOR REGULATIONS AMENDMENT

*David*  
Dear Representative Finklestein:


I am a volunteer and Board Member for the Easter Seal Society of Alaska (ESSA) assisting this organization in its goals to help and give people with disabilities the "Power To Overcome". Since ESSA is a nonprofit society, we depend on revenues primarily from its fund-raising activities, like pull-tabs. Governor Hickel's decision to curtail all third party vendor pull-tab relations on January 1, 1991 placed this voluntary health agency in a very difficult financial situation to meet its commitments.

We understand the House Bill 168 dealing with amendments to the pull-tab operator regulations is still in your sub-committee. ESSA strongly urges your support to move this bill onto the legislative floor for a vote and passage into law in favor of third party vendor relations again. This law then will enable us to restart our pull-tab fund-raising efforts which goes toward providing programs for people with disabilities.

Your immediate attention and consideration on this matter will be greatly appreciated by all those concerned.

Thank you.

Sincerely,

  
Dean W. Nelson  
PartnerRepresentative David Finklestein  
Labor and Commerce Committee  
c/o Catherine Reardon Fax # 465-2444  
Charitable Gaming Sub-Committee  
Alaska State Legislature  
P.O. Box V  
Juneau, Alaska 99811



April 3, 1991

Representative David Finkelstein  
Labor and Commerce Committee

Catherine Reardon  
Charitable Gaming Sub-Committee

RE: House Bill 168

I am the Controller for the Easter Seal Society of Alaska. Prior to December 31, 1990 we relied the proceeds from the sale of pull tabs to provide services to disabled people that had no where else to turn. When third party vendors were eliminated as an option in selling pull tabs, the loss of proceeds put us in a very difficult financial situation. We have had to eliminate 2 positions and reduce our services.

It has come to me attention that House Bill 168 is still in your committee. This bill deals with regulations concerning the sale of pull tabs. I am asking for you help in moving this bill out of the committee and on to the floor for it to be voted on. We need your immediate help in this. Once this bill is passed we will be able to continue at past service levels and hopefully help even more Alaskans with disabilities.

Thank you.

Laura Sullivan  
Controller

las

3719 Arctic Boulevard  
Anchorage, Alaska 99503  
907-561-7325 FAX: 562-7325

Alaska State Legislature  
House of Representatives



INTERIM

3111 C Street  
Anchorage, Alaska 99503  
(907) 561-2032


SESSION

P.O. Box V  
Juneau, Alaska 99811  
(907) 465-2995

Representative Dave Choquette

April 10, 1991

To: Representative Dave Donley

From: Representative Dave Choquette 

Re: HB 168, An act related to charitable gaming

I am writing to ask you to schedule the hearing of HB 168, an act related to charitable gaming at your earliest convenience. I truly believe it is imperative we address the vendor issue that is part of this bill prior to adjournment this May. Too many self-directed charities have too much to lose if we do not.

Thank you for your attention to this matter.



RECEIVED APR 26 1991

# Haines Chamber of Commerce

2nd & Willard Streets  
P.O. Box 518 • Haines, Alaska 99827



April 24, 1991

Representative Dave Donley  
House Judiciary Committee  
Alaska State Legislature  
P. O. Box V  
Juneau, Alaska 99811

Re: HB 168

Dear Representative Donley:

HB 168 is awaiting a hearing in your committee, and the Haines Chamber of Commerce is very interested in seeing this bill pass this session. We urge you to hold a hearing on this bill immediately.

The Haines Chamber initiated a pull tab program about two years ago with the proceeds going to a community betterment program to accomplish some of our projects which could not otherwise be accomplished without large donations of money and time. The program has become very successful and we have been able to do a great deal to upgrade the community.

Pull tab sales were accomplished by the third party vendor method which came under fire by the Attorney General. Our vendors were actually our own members selling pull-tabs for us in their establishments. Our percentage was 60%, and the Chamber was very happy with this arrangement.

Under the new system, we must operate our own pull-tab parlour, and the arrangement is not nearly as satisfactory. Our expenses are greater which results in lower profits, and the extra effort on the part of our staff is robbing other programs.

The third party vender relationship worked well for this organization. We feel it makes more sense to have our own members doing sales than to hire people who have no real interest in the purpose or results of our program. Much is said about charities not getting their proper share of the proceeds from these games, but we have not found this to be a problem with our close relationship with our vendors. And without this method of raising funds we would be back to minor fundraisers and minor accomplishments.

We appreciate your early consideration and passage of HB 168.

Sincerely,

A handwritten signature in cursive script that reads "Patty A. Glackin".

Patty A. Glackin  
President

Alaska State Legislature  
House of Representatives



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Anchorage, Alaska 99503  
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SESSION

P.O. Box V  
Juneau, Alaska 99811  
(907) 465-2995

Representative Dave Choquette

May 13, 1991

To: Representative Dave Donley  
Chair, House Judiciary Committee

From: Representative Dave Choquette *DVC*

Re: CSHB168 (L&C), an act licensing and regulating pull-tab vendors, etc.

I introduced HB168 for one reason: to authorize vendor sale of pull-tabs on behalf of charitable organizations. Since its introduction, HB168 has grown into a comprehensive piece of legislation aimed at refining Chapter 15 of the Alaska Statutes, the chapter addressing games of chance and contests of skill.

In addition to authorizing vendor sales of pull-tabs, CSHB168:

- a. requires permittees and operators to pass an examination prior to the issuance of a permit or license on the gaming code and its resulting regulations
- b. provides that pull-tabs sold in the state must be manufactured under the standards set by the North American Gaming Regulators Association;
- c. increases the proportion of the adjusted gross income that operators must return to charitable organizations;
- d. modifies the suspension and revocation section of the chapter to allow Commerce to suspend permits, licenses and vendor endorsements only after providing administrative recourse to the party involved;
- e. authorizes distributor to distributor sales of pull-tabs;
- f. increases the payout limit in prizes for permittees using operators from \$500,000 to \$1 million;
- g. requires the in-state licensing of out-of-state pull-tab

★ ★

★ ★

manufacturers; and

h. provides a definition for "managerial and supervisory capacity" in order to provide Commerce with a marked increased in authority to prohibit felons and violators of gambling law from participating in the gaming industry.

The original purpose of the bill cannot be overstated. The "third party vendor" issue entered the limelight on October 24, 1990, when the Attorney General wrote an opinion stating that use of vendors (e.g. retail outlets, bars, restaurants, etc.) for the sale of pull-tabs was not provided for by statute. Vendor sales of pull-tabs came to a halt January 1, 1991, damaging those charities that self-direct their gaming activities and curtailing the returns to charities whose operators contracted with vendors. Should legislation recognizing vendor sales not pass this term of the session, vendor sales cannot be authorized by regulation and not-for-profits will suffer a tremendous loss. It is with this in mind that I urge prompt action on this bill.

CSHB168 (L&C) goes a long way to fill the financing void facing not-for-profits as they confront continued declines in revenues from block grants, and to address problems existent in the current gaming statute. I appreciate the work of your committee to further refine the bill to address ongoing difficulties in the gaming industry and to increase the return of profits provided to charitable organizations in Alaska.

Alaska State Legislature  
House of Representatives

INTERIM

3111 C Street  
Anchorage, Alaska 99503  
(907) 561-2032



SESSION

P.O. Box V  
Juneau, Alaska 99811  
(907) 465-2995

Representative Dabe Choquette

Sectional Analysis of CSHB168 (L&C)

An act licensing and regulating pull tab vendors; authorizing sales of pull tabs between pull tabs distributors; etc.

Sections 1 and 2 amends provisions regarding annual permit fees for games of chance and skill to require those applying for a gaming permit to designate a member in charge and at least one alternative member who have passed an examination on gaming further explained in Section Nine.

Section 3 amends the notice provisions to require a permittee or operator to notify the Department of Commerce and Economic Development (Commerce) 15 days before changing the location of a gaming activity. This will provide Commerce with greater ability to track the movement of pull tabs.

Section 4 amends the regulations section of the gaming code to require Commerce to adopt regulations addressing vendor sales of pull-tabs. These regulations shall address: the issuance, renewal, and revocation of vendor endorsements; the requirement of sworn financial statements from vendors; the civil and criminal investigation of vendors and their employees; the exclusion from participation in gaming activities of vendors and their employees convicted, imprisoned, or on parole for a felony within the preceding five years, or convicted of a crime of theft or dishonesty or of a violation of gambling law; and the disposition of funds in possession of a vendor at the time of the surrender or invalidation of a permit or license.

Section 5 also amends the regulations provisions to require Commerce to adopt and amend from time to time regulations regarding pull-tabs consistent with the standards on pull-tabs of the North American Gaming Regulators Association (see enclosed)★

Section 6 provides Commerce with the authority to examine the★  
books and records of a vendor.★



Section 7 provides that all applications and reports required by Commerce and applicable to vendors be signed by vendors under the penalty of unsworn falsification.

Section 8 requires that a vendor may not sell pull tabs when a report or fee is delinquent.

Section 9 requires permittees to designate a member in charge and at least one alternate member in charge of the gaming activity. The member in charge and her alternate must have passed a test on the content of the gaming chapter and regulations adopted under the chapter. Commerce shall formulate the exam and administer it at least four times a year.

Section 10 amends the provisions regarding the duties of the member in charge to include responsibility for monitoring the performance of the operator with whom the permittee has contracted. It also provides that the alternate members in charge be members of the charitable organization or municipality and be responsible for the duties of the member in charge when she is absent.

Section 11 adds a new subsection to the member in charge section to provide the permittee with six months to replace a designated member in charge or sole alternate member in charge no longer able to serve. The designees are required to have passed the gaming test within this six month interim.

Section 12 amends the operator provision of the chapter to require all licensed operators to have passed a test on the gaming chapter and on regulations adopted under it before the license is issued.

Section 13 amends existent statute and provides that a municipality may by ordinance prohibit all operators or all vendors from selling pull tabs within the municipality.

Section 14 increases the proportion of the adjusted gross income to be returned to the charitable organization by operators. Bingo halls are required to return for two consecutive quarters at least 20% of the adjusted gross income. Operators using retail outlets and operators conducting other gaming activities not described in (A) or (B) are required to return at least 50% of the adjusted gross for two consecutive quarters.

Section 15 modifies the suspension and revocation section of the chapter to allow Commerce to suspend permits, licenses, and vendor endorsements, only after giving notice to the party, and allowing for a hearing on the issue. Presently, Commerce can suspend licenses and permits before allowing for a hearing on the issue. Section 15 also provides another condition for suspending or revoking a permit, license, or endorsement. A permit, license, or endorsement may be revoked if the permittee, licensee, or vendor is delinquent on sales taxes owed to a municipality on a charitable gaming activity.

Section 16 increases the payout limit for permittees using operators from \$500,000 to \$1 million. Our aim here is to better serve the charities. If this provision in any way harms their interests, it should be removed.

Section 17 requires out-of-state manufacturers of pull-tabs to have a manufacturer's license issued by the Department of Commerce before they may sell or supply pull-tabs to persons in the state.

Sections 18, 19, 20, and 21 authorize distributor to distributor sales of pull tabs and provide for the collection of the pull tabs tax up-front. Additionally, they prohibit distributors from taking a purchase order, selling, or delivering a pull tabs series to a vendor location. This is necessary to provide for the payment of pull tabs proceeds directly to the permittee or operator when they deliver the pull tabs to the vendor location.

Section 22 amends general provisions guiding the operation of pull-tab games and prohibits a permittee, licensee, or vendor and their employees from purchasing a pull tab sold by the permittee, licensee, or vendor. It also provides that operators who own a distributorship in whole or in part may not purchase pull-tabs from their distributor wing unless more than 50% of the distributor's sales are made to permittees, operators, or distributors that are wholly independent from the distributor.

Section 23 authorizes vendor sales of pull tabs. In doing so it provides that a permittee or operator may contract with a vendor for the sales of pull tabs. Section 23:

- a. requires a permittee or operator to first apply for a vendor endorsement and submit an endorsement fee of \$50 payable by check to Commerce. This fee is to be paid by the vendor;
- b. provides Commerce with authority to approve or disapprove the application within 30 working days of receipt of the application;
- c. states that an endorsement is an extension of the permittee's or operator's privilege to sell pull tabs;
- d. requires a written contract between the vendor and the permittee or operator that provides that the permittee or operator shall receive no less than 70% of the ideal net. This contract must be submitted to Commerce for approval. If the contract violates the chapter, the department may refuse to issue or renew the vendor endorsement;
- e. requires the vendor to pay an amount equal to the ideal net minus the vendor compensation to the permittee or operator upon delivery of the pull tabs to the vendor; and

f. allows a permittee or operator to contract with more than one vendor as well as allows a vendor to contract with more than one permittee or operator.

Section 24 amends the section on orders prohibiting violation of the gaming chapter. It provides Commerce with authority to take action against a vendor, and not the permittee or operator, if the vendor is in actual violation of this statute. In the past, the only recourse Commerce had to penalize vendor infractions, was to pull the permittee or operator license. This amendment will allow charities to continue to conduct their gaming activities, notwithstanding violations by their vendors.

Section 25 provides that a person who submits an application for a permit, license, or vendor endorsement with intent to mislead a public servant is guilty of unsworn falsification.

Section 26 adds definitions for ideal net, managerial and supervisory capacity, permittee, and vendor.

Section 27 is a transitional provision requiring Commerce to prepare the permittee and operator tests required by Section 9 and Section 12 of the bill so that the test may first be offered by January 1992.

Section 28 provides that those sections of the bill addressing tests on the gaming chapter take effect January 1, 1993.

Section 29 provides for an immediate effective date for all other sections of the bill.

Draft Jm

10/24/90

NORTH AMERICAN GAMING REGULATORS ASSOCIATION  
STANDARDS ON PULL TABS

PURPOSE: Publication of these recommended standards should not be construed as an endorsement of this form of legalized gambling. These standards are intended to provide regulatory guidance to jurisdictions which are contemplating or have enacted legislation which permits the legal use of pull tabs.

PULL TAB STANDARDS:

DEFINITIONS:

CURRENT STANDARD

None

PROPOSED STANDARD

Pull tab means the gaming pieces used in a game of chance which are completely made of paper or paper products and which conceal numbers or symbols that must be exposed by the player in order to determine wins or losses. The devices are known in various jurisdictions as break open, hard cards, banded tickets, jar tickets, pickle cards, Lucky Seven cards, Nevada club tickets, and other such names.

When it is necessary to differentiate between types of pull tabs, the term "break open" shall be used to refer to games in which the piece is made of card board, has between one to five windows behind which are winning and losing symbols and which must be revealed by the tearing off of a covering "window".

The term "banded ticket" shall be used to refer to those games in which the game piece is made of paper and in which the winning or losing symbols are covered by folding that paper and then banding the folds with a separate piece of paper. These tickets may or may not be stapled into small booklets.

(The terms used here are an effort to standardize language for all jurisdictions. In the past, the term "charitable gaming tickets" was utilized, however since then many jurisdictions have legalized pull tabs but have allowed them for commercial or private enterprise. Thus, the committee proposes this new term.)

- c. Three or more high tier winners located in the same general location in at least thirty percent of the series examined; or equal numbers of high tier winners in each row of a series in at least thirty percent of the series examined.
- d. No winning pull tab in a specified row in at least seventy percent of the series examined.
- e. No winning pull tab in a general location at the end of each row in at least seventy percent of the deals examined.
- f. No winning pull tab in a section of a row containing 150 pull tabs in one hundred percent of the series examined.

A high tier winning pull tab is one in which the prize is 50 times the price of the ticket or more or at least the top two tiers. General location shall mean a range of pull tabs as follows:

- a. In a game consisting of 2400 tickets or more then general location means a range of 40 pull tabs or less.
- b. In a game consisting of 1500 to 2399 tickets then general location means a range of 25 pull tabs or less.
- c. In games consisting of fewer than 1500 tickets, general location means a range of 15 pull tabs or less.

Banded tickets packaged in bags, rather than boxes, shall be subject to the above requirements. In order to test for compliance, bagged pull-tabs will be divided into horizontal or vertical rows and then measured against the above criteria.

#### MINIMUM INFORMATION

##### CURRENT STANDARD

Minimum information printed on a pull tab or breakopen and, if starred, on a jar ticket.

- \*1. Name of manufacturer or its distinctive logo.
- 2. Name of game.
- 3. Manufacturer's form number.
- 4. Price per individual charity game ticket.

## PROPOSED STANDARD

The game shall must be designed, constructed, glued and assembled in such a manner as to prevent determination of a winning or losing ticket without removing the tabs or otherwise uncovering the symbols or numbers as intended.

Each ticket in a series/deal must bear the same serial number. There shall not be more than one serial number in each series/deal. Additionally, no serial number used on a series/deal of pulltabs may be repeated on that same manufacturers form number within a three year period.

The number(s) or symbol(s) must be fully visible in the window and shall must be placed so that no part of a symbol or number remains covered when a tab is removed. Displacement of the symbols to the left or right in a window is allowed for increased game security.

The window slits on each break open shall be perforated on all three sides. All break opens are required to be glued on all four edges and between each window. The glue must be of sufficient strength so as to prevent the separation of the laminations of the ticket.

## GUILLOTINE CUTTING VARIATIONS

### CURRENT STANDARDS

It must not be possible to isolate winning or potential winning tickets from variations in size or the appearance of a cut edge of the charity game tickets comprising a particular game.

### PROPOSED STANDARDS

No change.

## COLOR OR PRINTING VARIATIONS

### CURRENT STANDARDS

It must not be possible to detect or pick out winning charity game tickets from losing tickets through variations in printing graphics or colors, especially those involving different printing plates.

### PROPOSED STANDARD

No change.

warning to the purchaser that the game may have been tampered with if the package, box, or container was received by the purchaser with the seal broken.

2. A game's serial number shall be clearly and legibly placed on the outside of the game's package, box or other container or be able to be viewed from the outside of the box.
3. For games shipped to any state that requires a state identification or revenue stamp be placed on the flare by a manufacturer/distributor, the flare for the game shall be located on the outside of each game's sealed package, box or other container so that the secured container need not be broken to place the stamp.
4. Each series/deal of pull tabs must contain a packing slip placed inside the package containing the name of the manufacturer, the series/deal number, date of the series/deal was packaged or that information may be placed on the flare.
5. Manufacturers must print on the outside of the package or container of pull tabs the following message: "Pull tabs must be removed from the packaging container and thoroughly mixed prior to sale to the public."
6. Every manufacturer must seal or tape, with tamper resistant seal/tape, every entry point into a container of pull tabs prior to shipment. The seal or tape must be of such construction from the manufacturer as to guarantee that should the container be opened or tampered with, such tampering or opening would be easily discernible.

#### DEFECTIVE GAME

##### CURRENT STANDARD

None

##### PROPOSED STANDARD

1. Defective pull tabs with defects that do not affect game security or playability. An example would be printing out of register, uniform bad color, poor appearance, etc. Action level 1.
2. Pull tabs with defects that may affect game security but are limited to a specific number of deals of a particular form, or the defect is not

## PROPOSED STANDARDS

Every series/deal of pull tabs must have a flare that must have printed on it the following information, at a minimum:

1. Name of game.
2. The manufacturer name or logo.
3. The form number.
4. Ticket count.
5. Prize structure, to include the number of winner by denomination with their respective winning symbol/number combination.
6. The cost per play.
7. A provision to allow "cross out" or "check off" of a minimum of the top three winning tiers excluding multiple winner tickets.

## TRACKING

### CURRENT STANDARDS

None

### PROPOSED STANDARDS

Every manufacturer of pull tabs must be able to track each pull tab from the manufacturer to the next point of sale and must retain that information for at least 42 months.

*Resolutions*

RULES OF PLAY

1. The flare accompanying the deal/series containing all required game information must be posted in the vicinity of the game and in view of the players while the deal is in play.
2. Pull tabs cannot be sold from the original container.
3. Pull tabs must be thoroughly intermixed prior to being offered for sale. *Dump & mix*
- X 4. All winning tickets must have the winning symbol/number defaced or punched when redeemed by the gaming organization. *Recycle*
5. All winners and unsold pull tabs must be kept for a time sufficient to allow auditing by the regulators. Such time to be determined by each individual regulating body.
6. All pull tabs must be properly destroyed, i.e., by burning, shredding, or in some other manner that shall prevent anyone obtaining the used, defaced, or unsold tickets and attempting to reuse that ticket or any portion thereof.
7. Because a limited number of people possess information about the financial status of the deal in play, and because those people may violate the integrity of the deal, the general public may be placed at an unfair disadvantage. Operators must apply strong management practices to educate and monitor their employees to make that information secure and take immediate and strong action to penalize employees for the distribution of that information.
8. All employees of a gaming licensee should be prohibited from buying or playing pull tabs at their place of employment.
9. It should be required that the operator/gaming organization verify the serial number and winner protection for all winning tickets redeemed.
10. It is recommended that all operators/owners, managers, and other "significant personnel" should be licensed by regulators and that such licenses should be issued only after a background investigation and adequate training .
11. It cannot be emphasized strongly enough that the proper regulation of gaming requires that adequate enforcement levels and funding be provided from the inception of the gaming activity. *Catch up is difficult.*
12. [It is recommended that all games of pull tabs must be played with the requirement that as winning tickets are redeemed, that a "mark off" or "check off" system is utilized so that that information is available to all other

# Coalition for Non-profit Gaming

COMMENTS BEFORE THE HOUSE LABOR AND COMMERCE COMMITTEE  
HB168  
3/5/91 VIA TELECONFERENCE

Sec. 1

No change

Sec. 2

(5) CNG questions the value of requiring background checks and fingerprinting of ALL EMPLOYEES at every level. Perhaps this should be modified to include only managerial and supervisory personnel.

(6) CNG regards this as overly stringent. We suggest that the phrase "within the preceding five years" be moved to the end of the sentence.

(9) CNG believes in sound record-keeping practices. However, the requirement that all receipts be deposited in a bank is not always possible in rural Alaskan communities that lack a local bank branch. Further, we doubt that requiring this of vendors serves a practical purpose, as, elsewhere in the bill, all moneys due the permittee have been paid by the vendor on delivery of the game.

CNG therefore recommends that this sentence be terminated after the word "record" on line 2, and the remainder be struck.

Sec. 3

No specific recommendations

Sec. 4

No specific recommendations

Sec. 5

CNG recognizes a grammatical error contrary to the intent: By using the singular words "operator" and "vendor", a municipality could in fact, prohibit one operator or vendor while allowing others. As well, since some municipalities are in fact, permittees themselves, they could selectively limit competition.

CNG therefore recommends that the words "operator" and "vendor" on line 23 be changed to the plural form and that the word "an" be stricken. This would keep local control, while preventing selective discrimination.

Sec. 6

CNG believes that a typo exists on line 27. We are not aware of a "commission". This phrase should read: (a) The commissioner may suspend..."

Sec. 7

No specific recommendations

Sec. 8

CNG's steering committee voted unanimously to support the changes proposed by Roger Cunningham in his written testimony so long as they do not jeopardize the passage of the basic third-party bill.

Sec. 9

CNG's steering committee voted unanimously to support the changes proposed by Roger Cunningham in his written testimony so long as they do not jeopardize the passage of the basic third-party bill.

Sec. 10

(subsection (e) CNG believes that distributors perform a valuable service by delivering pull-tabs. Therefore, item (3) should be struck OR AMENDED to add "without specific, written authorization by the permittee or operator".

Sec. 11

(Subsection (h) CNG recognizes the wisdom and intent of this section. However, many permittees self-police by sending a person in a managerial capacity to purchase pull-tab(s) on an irregular basis, thereby AUDITING the serial number(s) being sold by the vendor. We point this out as informational, but will concede the point if it the committee's will.

Sec. 12

Before beginning the specific comments on AS 05.15.188, which is in fact the most operative section to this bill, CNG is somewhat concerned that while this section specifically allows vendors to contract with permittees, THERE IS NO WORDING WHICH SPECIFICALLY ALLOWS THE VENDOR'S EMPLOYEES TO SELL THE PULL-TABS ONCE THEY ARE PLACED AT THE VENDOR'S LOCATION. Are we to ASSUME that this point is ASSUMED? Recent Attorney

General's opinions cause us a certain anxiety on this point.

(Subsection (a) CNG believes that the \$50 fee detailed on line 18 has not been justified on the basis of processing costs by the Department of Commerce. We urge that the committee ask for such cost justification before putting a firm amount into statute. CNG further believes that the cost of vendor endorsements is adequately compensated for by the 3% Gaming Tax currently levied.

(Subsection (a) CNG believes that no purpose would be served by the requirement on lines 19-21 that the local municipality be so advised. This places a large paperwork burden on municipalities for which there has been no testimony in support.

(Subsection (b) CNG believes that the department can and should process vendor applications in 15 days or less, not 30 days as written. (Item (b), lines 21 and 22)

(Subsection (e) CNG believes that the vendor should be made responsible for changes in HIS location. Can this wording be modified to require the vendor to first notify the permittee or operator, who will in turn, notify the department?

(Subsection (f) Once again, there has been no justification of the \$50 fee for vendor endorsements.

Subsection (h) CNG urges that section (h) be struck in its entirety OR that the wording be modified to include the permittee's or operator's designee (distributor) to deliver to a vendor.

(Subsection (i) CNG realizes that the matter of percentage is a sensitive one. By unanimous vote of the steering committee, 35% compensation to vendors was endorsed. We offer this as a consensus of more than 70 members from all facets of the gaming community.

(Subsection (j) CNG would be more comfortable if this section specifi-

cally allowed for a percentage split between the vendor and the permittee/operator.

(Subsection (k) CNG believes, absent any compelling arguments for its inclusion, that this provision works a hardship on small, rural communities where most community leaders wear several hats. CNG urges that it be struck.

CNG believes that an error-of-omission occurred in the drafting of HB168. In current statute, Sec. 05.15.160. Authorized Expenses, lists the various expenses allowed to be incurred or paid. CNG BELIEVES THAT THE WORDS "Compensation Paid to Vendors" should be included as a new subsection in AS 05.15.160.

# 1989 CHARITABLE GAMING ANNUAL REPORT

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## 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]	[10,517,760]
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 06.15.020 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.

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 \*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**

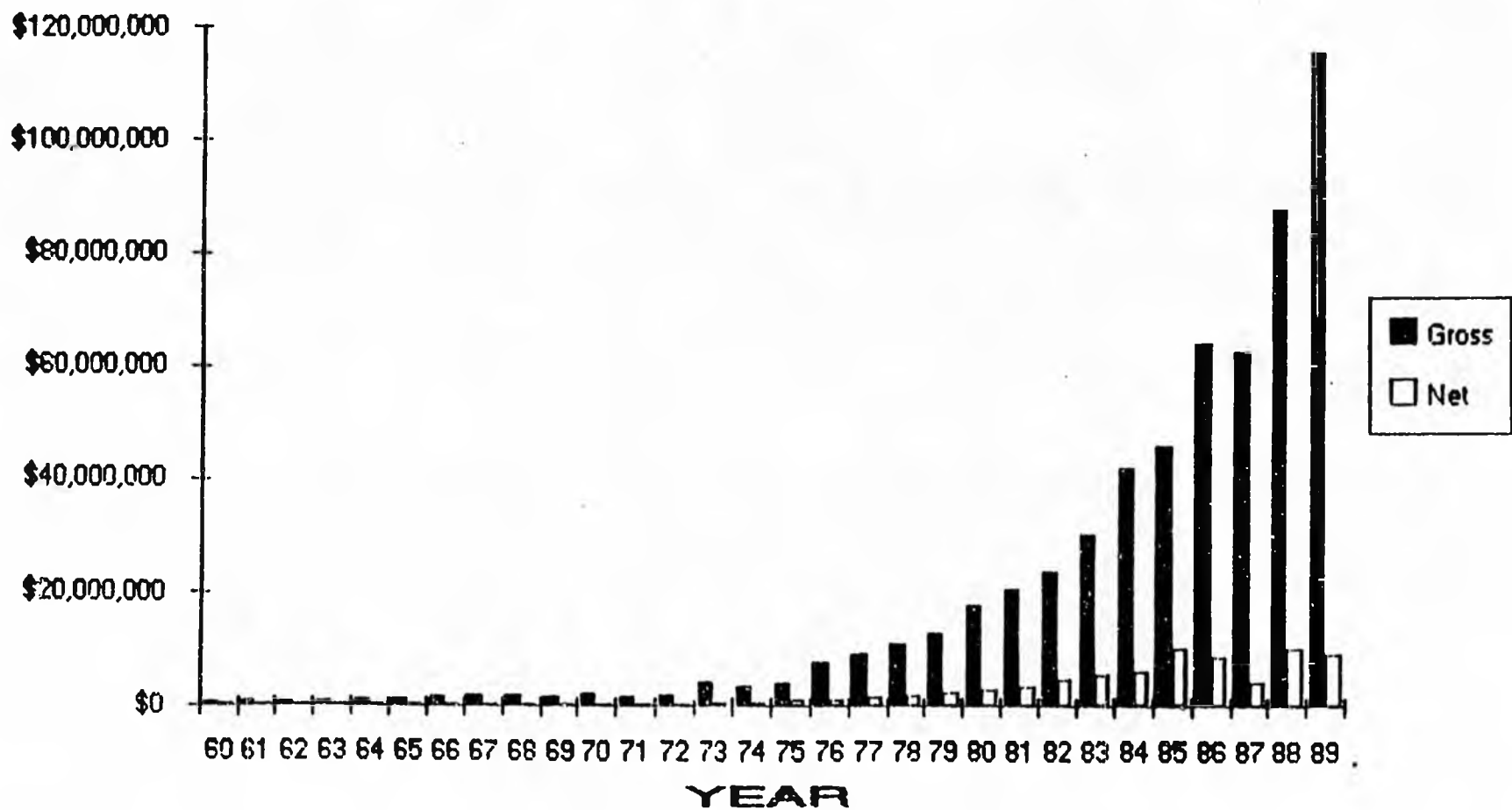
<u>YEAR</u>	<u>PERMITS ISSUED</u>	<u>GROSS RECEIPTS</u>	<u>PRIZES AND EXPENSES AND TAXES</u>	<u>NET PROCEEDS</u>
1960	162	\$ 649,793	\$ 553,440	\$ 96,363
1961	283	793,506	630,562	162,944
1962	284	734,619	599,550	135,069
1963	293	906,073	713,172	192,901
1964	333	1,035,506	861,949	173,637
1965	339	1,375,022	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

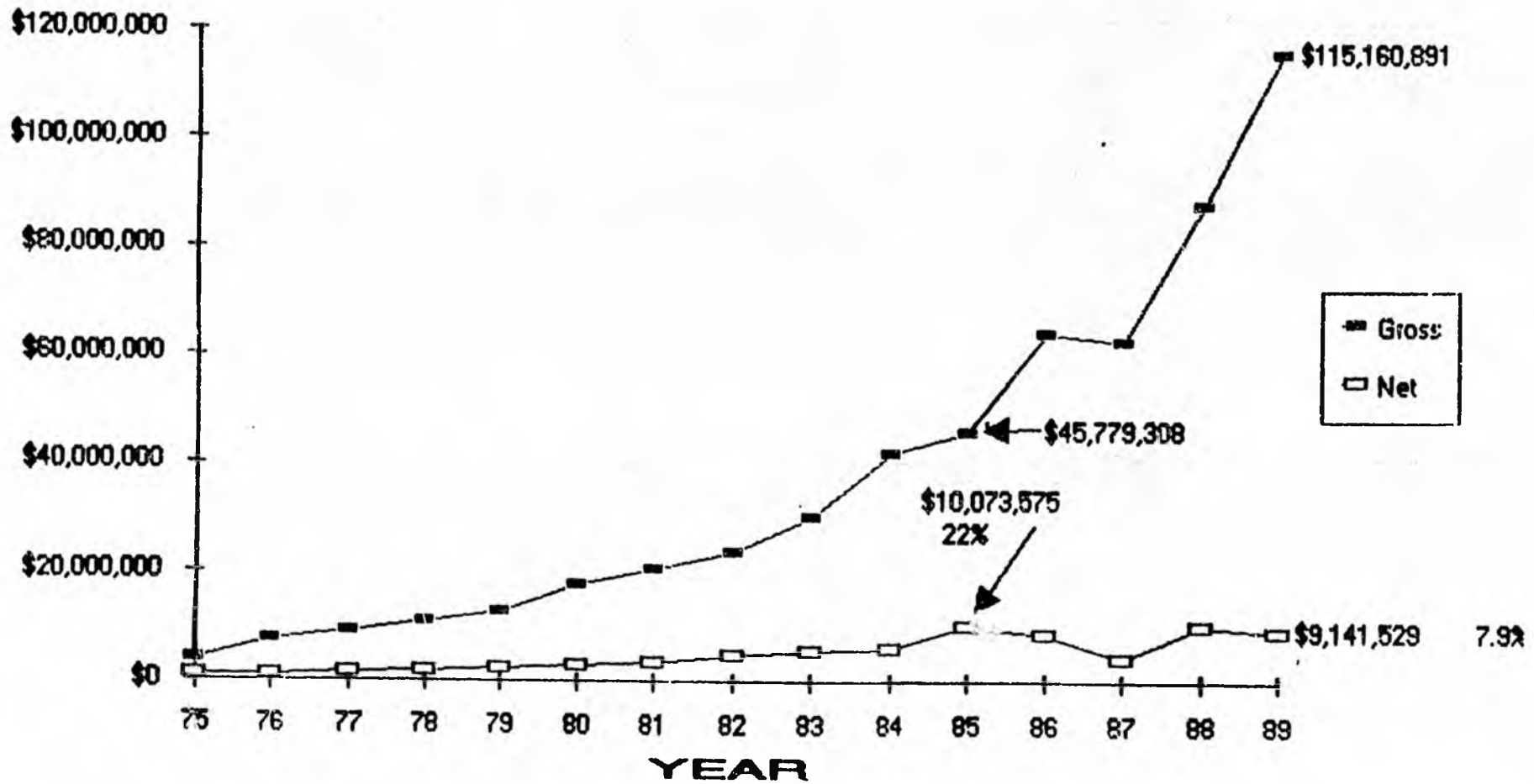
<u>YEAR</u>	<u>PERMITS ISSUED</u>	<u>GROSS RECEIPTS</u>	<u>PRIZES</u>	<u>EXPENSES AND TAXES</u>	<u>NET PROCEEDS</u>
1986	1,011	\$63,936,834	\$48,182,821	\$ 7,097,123	\$ 8,656,890
1987	1,040	62,163,749	51,613,746	6,358,015	4,191,988
1988*	1,026	87,524,470	69,095,076	10,957,143	10,256,316
1989*	1,042	115,160,891	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	[ 10,957,143.61]	
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	[	<u>16,554,602.21]</u>
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	Full-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
<b>Totals</b>	<b><u>\$54,361,213.17</u></b>	<b><u>\$41,722,822.71</u></b>	<b><u>\$12,638,320.46</u></b>		<b><u>\$2,497,829.81</u></b>

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.

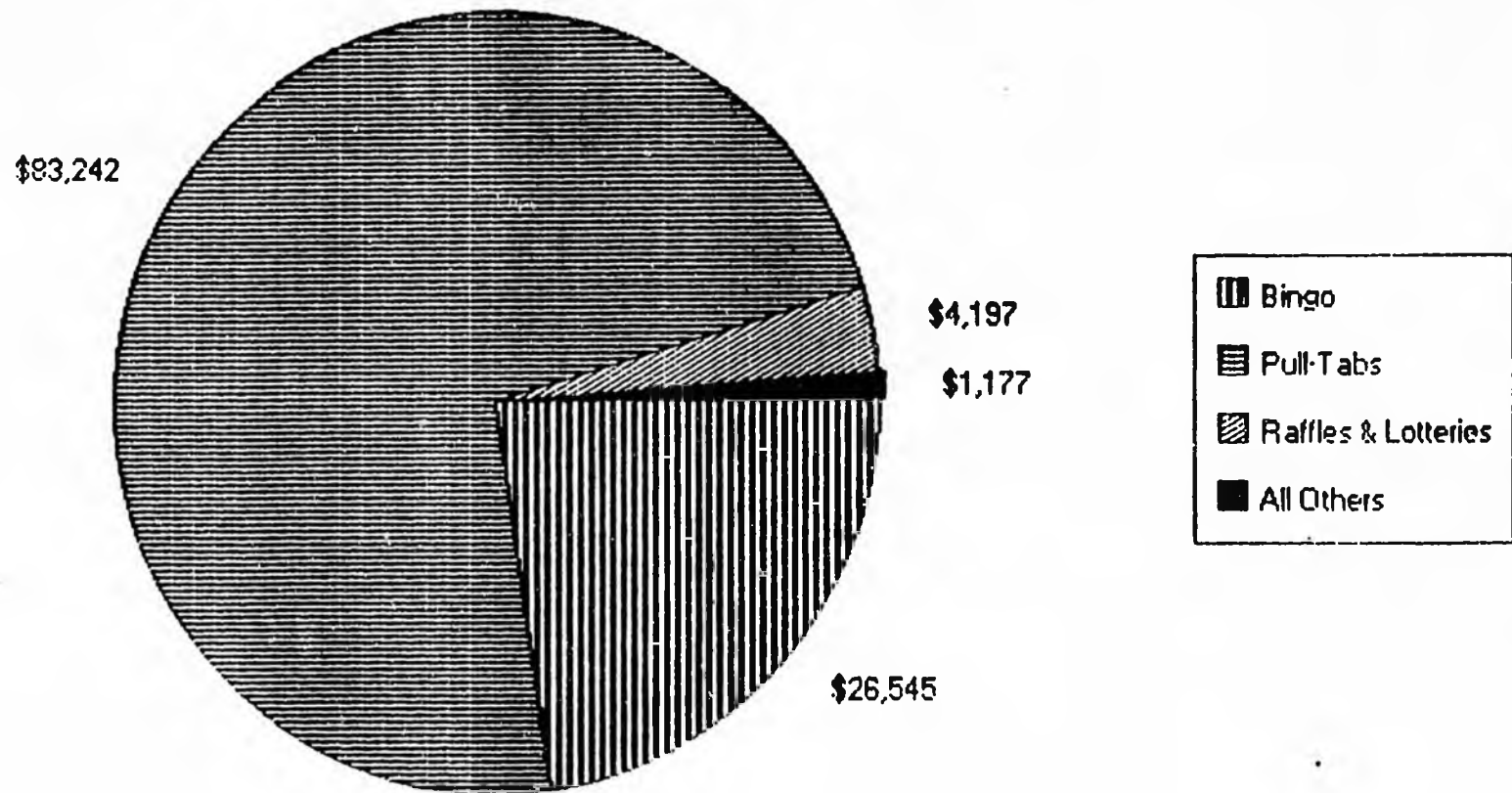
The Adjusted Gross Income (AGI) is defined as gross income less prizes awarded, and any state, federal or municipal taxes paid or owed on the income.

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

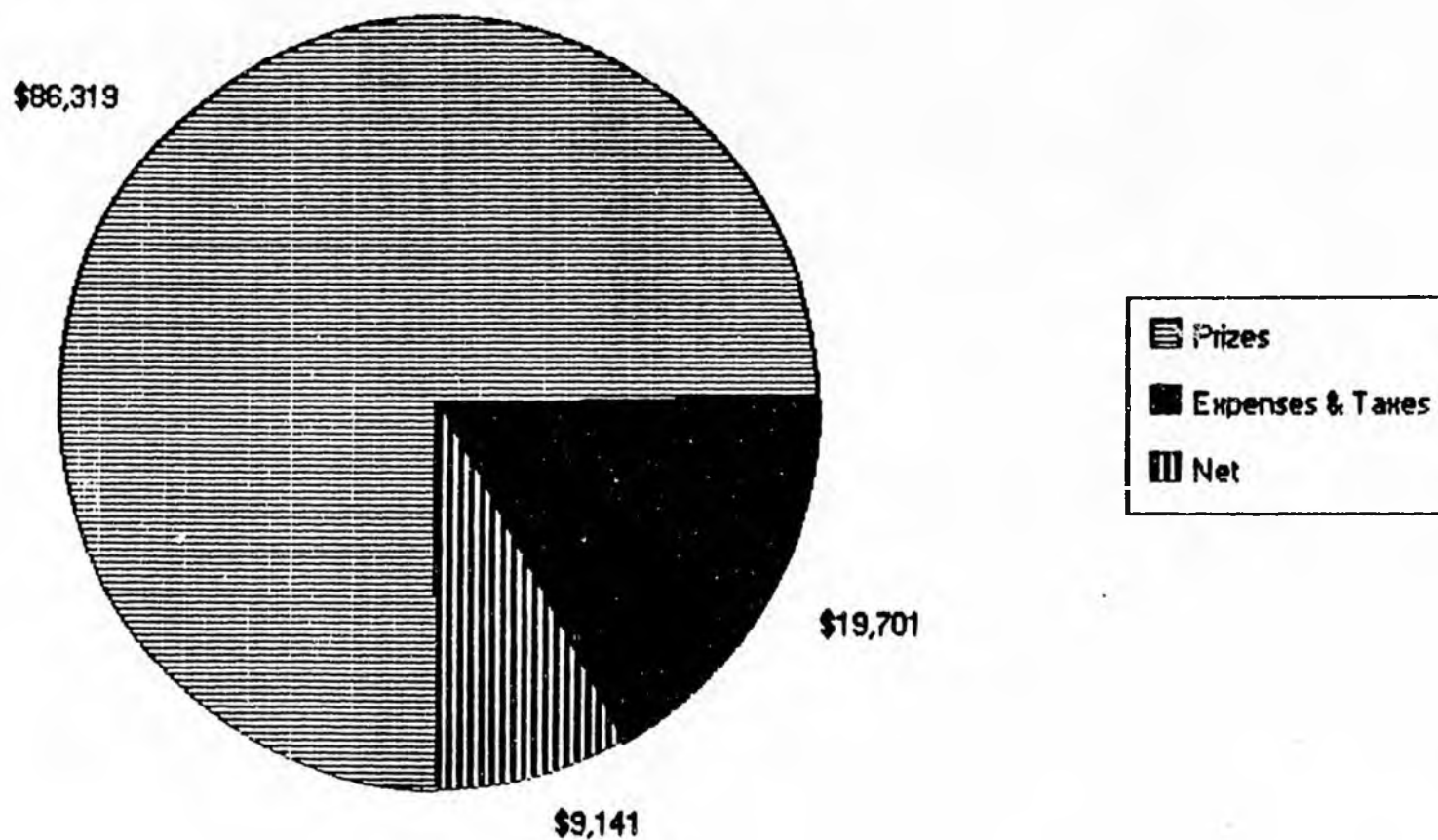
\*\*This operator was in operation for only the last quarter of 1989. If he fails after the first quarter of 1990 to remit 15% of the AGI to his permittees, his license will be suspended.

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 042090c

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



**1989 Gross Receipts Distribution**  
**Total \$115,161 Thousands**



# MEMORANDUM

State of Alaska  
Department of Law

TO: Honorable Jane Angvik  
Commissioner  
Department of Commerce  
and Economic Development

DATE: October 24, 1990  
FILE NO.: 663-90-0399  
TEL. NO.: 465-3600  
SUBJECT: Charitable gaming and  
third-party vendors



FROM: Gary I. Amendola  
Assistant Attorney General

You have asked whether the Department of Commerce and Economic Development (the department) has the authority to adopt regulations to allow a so-called third-party vendor to engage in charitable gaming activities either for a permitted municipality or a permitted qualified organization directly, or for a licensed operator acting on behalf of a permitted municipality or a permitted qualified organization. In our opinion, the department does not have that authority.

Under the Alaska Gaming Reform Act, AS 05.15, only a municipality or a qualified organization can obtain a permit to conduct certain charitable gaming activities. AS 05.15.100(a) and (b). In addition, under AS 05.15.100(c), a municipality, a qualified organization, or a natural person may obtain an operator's license in order to conduct charitable gaming activities on behalf of a permitted municipality or qualified organization. In the past few years, permittees (municipalities and qualified organizations) and licensed operators have contracted with various businesses (primarily bars, liquor stores, and convenience stores) to sell pull-tabs for the permittees or for the operators on behalf of permittees. These businesses are commonly referred to as third-party vendors. 1/

In 1988, the legislature enacted the Alaska Gaming Reform Act (the Act). As the name implies, the Act was intended to reform and modernize Alaska's gaming laws. Probably the three most important goals of the Act were (1) to deal with pull-tab games in a comprehensive way; (2) to establish a permit system for municipalities and qualified organizations that want to engage in charitable gaming; and (3) to set up a licensing and regulatory scheme for operators (i.e., those persons specifically authorized by statute to conduct charitable gaming activities on behalf of permitted municipalities and qualified organizations).

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1/ Third-party vendors have proliferated. There are literally hundreds of locations throughout the State.

Honorable Jane Angvik  
Commissioner  
663-90-0399

October 24, 1990  
Page 2

The legislative history of the Act is nearly silent as it relates to the role of third-party vendors in charitable gaming in Alaska. However, the legislative history does indicate a desire that the activities allowed under AS 05.15 would be limited and closely regulated, and neither purpose seems to be fulfilled by the use of third-party vendors. Likewise, applicable principles of statutory construction generally provide that statutes authorizing gambling activities are to be strictly construed, thus limiting the rights and powers that are given thereunder. 38 Am. Jur. 2d Gambling § 18 (1968); West Indies, Inc. v. First National Bank, 214 P.2d 144 (Nev. 1950); Converse v. The Lottery Commission, 783 P.2d 1116, 1118 (Wash 1989). See also 2A Singer, Sutherland Statutory Construction, Sec. 47.23 (4th ed. 1986) (Where a statute creates and regulates, and prescribes the mode and names the parties granted right to invoke its provisions, that mode must be followed and none other, and such parties only may act). 2/

There is no express authorization under AS 05.15 for third-party vendors to engage in charitable gaming activities unless they are a permitted municipality, permitted qualified organization, or licensed operator. In addition, nothing in AS 05.15 authorizes the department, expressly or by implication, to license the activities in which third-party vendors now engage. 3/ In light of the legislative history and under the principles of statutory construction identified above, no authority for the activities of the third-party vendors presently exists.

The Act authorizes only permitted municipalities, permitted qualified organizations, or licensed operators on their behalf to conduct certain charitable gaming activities during certain times:

AS 05.15.020. ANNUAL PERMIT AND FEES. (a)  
A municipality or qualified organization may conduct an activity permitted under this chapter, if the municipality or qualified organization pays the appropriate permit fee and receives an annual permit issued by the department . . . .

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2/ We also find support for this construction of the Act because conducting charitable gaming activities is "a privilege and do[es] not confer a right upon any person to conduct the activities." AS 05.15.110.

3/ Even though the department has broad authority under AS 05.15.060 to regulate charitable gaming for the best interests of the public, that regulatory authority may not be exercised in excess of other statutory limitations of authority.

Honorable Jane Angvik  
Commissioner  
663-90-0399

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AS 05.15.040. ISSUANCE AND EFFECT AND TERM OF PERMIT. After the fee is paid, a permit issued, and during the effective period of the permit, the municipality or qualified organization may conduct the activity specified in the permit . . . .

AS 05.15.100. ISSUANCE OF PERMITS AND LICENSES. (a) The commissioner may issue a permit to a municipality or qualified organization. The permit gives the municipality or qualified organization the privilege of conducting bingo, raffles and lotteries, pull-tab games, ice classics, rain classics, goose classics, mercury classic, salmon classics, dog mushers' contests, fish derbies, and contests of skill.

b) The commissioner may also issue a permit giving a municipality or qualified organization the privilege of conducting an activity involving the use of playing cards, dice, and numbers wheels . . . .

(c) The commissioner may issue an operator's license to a natural person to conduct an activity permitted under this chapter on behalf of a municipality or qualified organization . . . .

AS 05.15.110. AUTHORIZED ACTIVITIES A PRIVILEGE. The activities specified in AS 05.15.100 may be permitted as a privilege and do not confer a right upon any person to conduct the activities.

AS 05.15.115. CONTRACTS BETWEEN PERMITTEES AND OPERATORS. (a) A municipality or qualified organization holding a permit to conduct an activity under this chapter may enter into a contract with an operator licensed under this chapter to conduct on behalf of the municipality or qualified organization those activities permitted under the authority of the permit.

AS 05.15.122. OPERATOR'S LICENSE. (a) A person, municipality, or qualified organization may not conduct an activity subject to this chapter on behalf of a municipality or qualified organization unless the person, municipality, or qualified organization has received an operator's license issued by the department.

Honorable Jane Angvik  
Commissioner  
663-90-0399

October 24, 1990  
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In particular, AS 05.15.122(a) appears to operate as an express prohibition against the use of unlicensed third-party vendors. In addition, all of these quoted provisions seem at odds with the notion that vendors who are neither municipalities or qualified organizations, nor licensed operators could conduct the gaming activities that are regulated under AS 05.15. 4/

In short, it is our opinion that under the present laws dealing with charitable gaming, third-party vendors cannot be authorized to engage in charitable gaming activities. If you have any questions, please let us know.

GIA:prn

cc: Representative Dave Donley

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4/ We also note that under AS 05.15.124, a municipality may prohibit "an operator from conducting activities under this chapter within the municipality." Yet, if third-party vendors may legally operate, the municipality might not have the authority to prohibit their activities. Such a result would be inconsistent with the concept of local option with respect to such activities.

STATE OF ALASKA

WALTER J. HICKEL, GOVERNOR

**DEPARTMENT OF COMMERCE &  
ECONOMIC DEVELOPMENT**

P.O. BOX D  
JUNEAU, ALASKA 99811-0800  
PHONE: (907) 465-2534

**DIVISION OF OCCUPATIONAL LICENSING**

December 21, 1990

Dear Permittee/Operator:

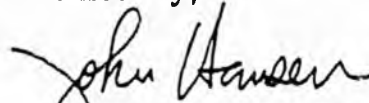
The Attorney General has advised the Department of Commerce and Economic Development, Division of Occupational Licensing, in an opinion dated October 24, 1990, that pull-tab sales by other than permittees and licensees are not authorized. The opinion holds that the department does not have authority to authorize vendor participation in pull-tab sales. Accordingly, this week the Department of Law notified the Division of Occupational Licensing's Gaming Section that permits or licenses are not to be issued by the department to, or for the use of, anyone except a qualified permittee or licensee.

Effective January 1, 1991, pull-tab sales at vendor locations may no longer occur. Therefore, on or before December 31, 1990, all **unopened** pull-tab games held by a vendor(s), and all pull-tab games in play at a vendor location, must be collected by the permittee or operator on whose behalf the pull-tab games are being conducted.

As of January 1, 1991, no pull-tab sales may occur at any location other than the licensed gaming premises of a permittee or operator. Gaming activity that occurs at any unlicensed premises or locations will be considered a violation of gaming statutes.

We very much regret this short notice and thank you in advance for your cooperation. A letter providing details regarding implementation of this directive will follow.

Sincerely,



John Hansen  
Gaming Program Manager

JH/lis9718s  
122190a

# STATE OF ALASKA

## DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

### DIVISION OF OCCUPATIONAL LICENSING

January 16, 1991

what questions can do  
Section F - upset  
WALTER J. HICKEL, GOVERNOR

P.O. BOX D  
JUNEAU, ALASKA 99811-0800  
PHONE: (907) 465-2534

Attention Charitable Gaming Permittees, Operators, and Distributors:

Re: Emergency Regulations  
Location of of Certain Gaming Activities

The Attorney General's office decision to halt vendor participation in the sale of pull-tabs raised a related question: Under what circumstances may a permittee which prefers not to contract with an operator, or an operator who uses retail outlets continue to utilize these locations to conduct its gaming activities?

Under current law, an organization granted a gaming permit may either conduct its gaming activities using its own employees or members or it may contract with an operator to conduct gaming activities on its behalf. For the past two years, however, both permittees and operators alike have utilized vendor locations and the vendors' employees to actually conduct gaming activities on their behalf. The Attorney General's recent action clarified that neither permittees nor operators may allow vendors or their employees to actually participate in the conduct of gaming activities (e.g., sell pull-tabs directly for an operator or a permittee).

In view of the AG's decision, a vendor and its employees can no longer be involved in any way in the actual conduct of a gaming activity. For our purposes, the term "vendor location" refers to any location or space not owned or leased exclusively by a permittee or operator for its permitted or licensed gaming activities.

Because permittees and operators rent or lease space from a variety of locations, including local municipal halls, local fraternal halls, other permittee-owned locations, as well as bars, restaurants, and other retail outlets, the department needed an answer to the question of where gaming activities could be conducted outside of permittee- or operator-owned and operated locations. Many different scenarios were presented to the department in the last two weeks, as permittees and operators sought licensure for their 1991 gaming activities. Because of the AG's opinion, before issuing permits, the department sought guidance from the Governor. Those questions have been answered and are now incorporated in the emergency regulations enclosed.

January 16, 1991

In accordance with this regulation, permittees or operators wishing to conduct gaming activities in a retail location other than its customary place of business will need to submit the following information:

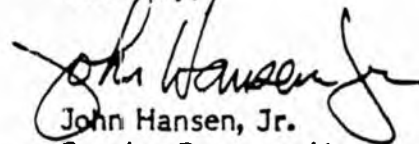
- a. Business name of location.
- b. Street address and phone number.
- c. Type of gaming activity.
- d. Name of employees or members conducting the activity at each location.
- e. Copies of signed lease agreement for each location.

Any open pull-tab games removed from sale as a result of the AG's opinion may be returned to play by the permittee or operator under the above scenarios.

Telefax copies of this information or applications will not be accepted.

If you have any questions, please feel free to contact this office.

Sincerely,



John Hansen, Jr.  
Gaming Program Manager

JH/11s0009s1  
011591a

# EMERGENCY REGULATION

## NOTICE OF ADOPTION OF AN EMERGENCY REGULATION BY THE DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT GAMES OF CHANCE AND SKILL

### LOCATION AND CONDUCT OF GAMING ACTIVITIES

As require by AS 44.62.250, notice is given that, under authority vested by AS 05.15.060, the Department of Commerce and Economic Development, on January 14, 1991, adopted as an emergency regulation, 12 AAC 34.910, LOCATION AND CONDUCT OF CERTAIN GAMING ACTIVITIES, which allows permittees and operators to conduct certain gaming activities at a place other than its own customary place of business (e.g., a permittee may sell pull-tabs from the premises of a private business). This emergency regulation

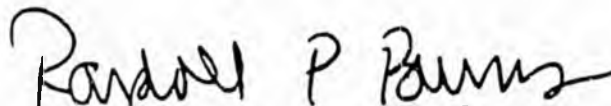
- (1) limits the amount a permittee or operator may pay for space leased from a business establishment;
- (2) requires a written lease between the permittee/operator and the business establishment;
- (3) limits the sale of pull-tabs at locations where bingo is also being played;
- (4) requires that pull-tab sales be conducted in a distinct area within the business establishment and that receipts from gaming activity be accounted for separately;
- (5) establishes strict requirements on who may and may not conduct gaming activity at a business establishment and limits the compensation they may receive;
- (6) defines "employee."

This emergency regulation took effect on January 15, 1991.

Notice is also given that the Department of Commerce and Economic Development intends to make this regulation permanent under AS 44.62.260. Any person interested may make comments relevant to this emergency regulation by submitting them in writing to Kevin Henderson, Regulations Specialist, Division of Occupational Licensing, P.O. Box D, Juneau, AK 99801, so that they are received no later than MONDAY, APRIL 1, 1991.

A copy of this emergency regulation and the department's Finding of Emergency may be obtained by writing to the address indicated above.

This action is not expected to require an increased appropriation.

  
Randall P. Burns, Director  
Division of Occupational Licensing

DATE: January 14, 1991

## FINDING OF EMERGENCY

The Department of Commerce and Economic Development (the Department) finds that an emergency exists and that the emergency adoption of the attached regulation is necessary for the immediate preservation of the public's peace, health, safety, or general welfare. The facts constituting the emergency are as follows:

On October 24, 1990, the Attorney General issued an opinion stating that only permitted qualified organizations, permitted municipalities, and licensed operators are authorized to conduct charitable gaming under AS 05.15. Therefore, the sale of pull-tabs by so-called third-party vendors is not authorized under the existing charitable gaming statutes. See 1990 Inf. Att'y Gen. Op. (663-90-0399; October 24).

Third-party vendor sales of pull-tabs had been occurring before the issuance of the opinion, and continued after its issuance under permits issued for calendar year 1990 to permittees for third-party vendor locations. The administration under Governor Steve Cowper deferred taking action on the issue in favor of letting the new administration (scheduled to take over state government on December 3, 1990) decide how to deal with the third-party vendor issue.

In the meantime, all charitable gaming permits, including those issued for third-party locations, were scheduled to expire on December 31, 1990. On December 21, 1990, the Attorney General advised the acting Commissioner of the Department of Commerce and Economic Development that the department could not authorize anyone to conduct charitable gaming activities other than a permittee or licensee. Thus, the department was not authorized to renew and has not renewed any permits issued for charitable gaming activities conducted by third-party vendors.


As the department attempts to both assist the winding down of unauthorized activities and determine which of literally hundreds of renewal permit applications may properly be issued, it has become apparent that immediate regulatory guidance is necessary in order to clearly describe those charitable gaming activities that are permissible and to allow the department to timely issue charitable gaming permits to those organizations entitled to permits. In addition, emergency regulatory action is necessary to halt a potentially devastating loss of income to permittees.

ADOPTION ORDER

Therefore, under the authority of AS 05.15.060, the regulation is adopted by the Department of Commerce and Economic Development as an emergency regulation to take effect immediately upon filing by the lieutenant governor, as provided for in AS 44.62.180(3).

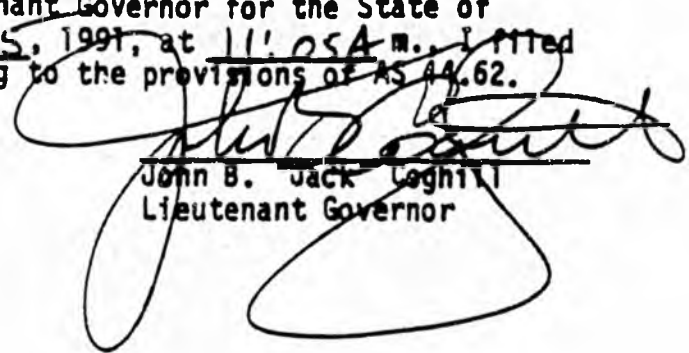
This action is not expected to require an increased appropriation.

DATE: 1/14/91  
Juneau, Alaska

  
Glenn A. Olds, Commissioner  
Department of Commerce and  
Economic Development

FILING CERTIFICATION

I, John B. "Jack" Coghill, Lieutenant Governor for the State of Alaska, certify that on January 15, 1991, at 11:05A m., I filed the attached regulations according to the provisions of AS 44.62.

  
John B. Jack Coghill  
Lieutenant Governor

Effective: January 15, 1991.  
Register: 117, April 1991.

12 AAC 34 is amended by adding a new section to read:

12 AAC 34.910. LOCATION AND CONDUCT OF CERTAIN GAMING ACTIVITIES. (a) A permittee or an operator may lease space at a place other than its customary place of business in order to conduct gaming activities. The lease must be in writing. The rent paid by a permittee or an operator for the space actually used to conduct the gaming activities may not exceed the average cost per square foot of comparable space. The permittee or the operator may pay no other compensation to the lessor for the use of that location.

(b) The department will issue a separate permit for each location at which gaming activities are to be conducted under (a) of this section. A permit must be posted at a location before gaming activities are conducted by a permittee or an operator. The application for a permit under this section must include a copy of the lease and a list of the operator's employees or the permittee's members or employees who will conduct the gaming activities for the permittee or the operator.

(c) When pull-tabs are sold under (a) of this section at a location at which bingo games are also conducted, the pull-tabs may be sold only during the time bingo games are conducted and only in accordance with the other provisions of this section.

(d) All pull-tab sales conducted under (a) of this section must be conducted in an identifiably distinct area of the location.

(e) All gaming receipts from sales conducted under (a) of this section must be kept separate at all times from other business receipts at the location.

(f) Only an employee or member of a permittee may conduct gaming activities under (a) of this section for a permittee. Only the employee of an operator may conduct gaming activities under (a) of this section for an operator. An employee of the lessor of a location under (a) of this section may not conduct gaming activities for a permittee or an operator. In addition, the employee or member of a permittee or the employee of an operator

(1) must be present at all times when gaming activities are being conducted;

(2) is the only person at the location who may conduct gaming activities; and

(3) may only be paid a wage that does not exceed \$10.00 per hour.

(g) In addition to the requirements of AS 05.15.187(e), a person under the age of 19 may not sell pull-tabs.

(h) An operator conducting gaming activities under (a) of this section who is the owner of the location at which the gaming activities are conducted must also comply with the provisions of this section.

(i) In (f) of this section, the term "employee" has the meaning in 12 AAC 34.200(b). (Eff. / / , Register )

Authority: AS 05.15.060

# **PROPOSED REGULATIONS**

**Department of Commerce and Economic Development**

## **GAMES OF CHANCE AND SKILL**

Notice is given that the Department of Commerce and Economic Development, under authority vested by AS 05.15.080, AS 05.15.130, and Chapter 33, SLA 1990, proposes to adopt regulations in Title 12 of the Alaska Administrative Code dealing with gaming on the airwaves, operator licensing and security, limitations on pull-tab sales, selling pull-tabs, withdrawal of a pull-tab series, other games of chance and skill authorized by the commissioner, limits on authorized expenses, revocation of a permit or license, prohibited financial interest, contests of skill definitions, and deletion of old regulations, all of which serve to implement, interpret, or modify specific AS 05.15.060, AS 05.15.130, and Chapter 33, SLA 1990, as follows:

1. 12 AAC 34.100, CONDUCT OF GAMING ON THE AIRWAVES, is a new section that addresses who may and may not conduct and advertise gaming activity via the broadcast media; the department is seeking comments on this issue as requested by the 1990 Legislature in accordance with House Bill 587 (Ch. 33, SLA 1990);
2. 12 AAC 34.210. OPERATOR APPLICATION REQUIREMENTS, is a new section that identifies the application and bonding/ security requirements for an operator license that are satisfactory to the department, including security in the form of lienable real property (replaces 15 AAC 105.320);
3. 12 AAC 34.400, LIMITATIONS ON PULL-TAB SALES, is amended by adding a new provision that limits the dollar amount of a pull-tab game prize;
4. 12 AAC 34.410, PULL-TAB PARTICIPATION, is a new section that prohibits certain individuals from selling pull-tabs;
5. 12 AAC 34.420, WITHDRAWAL OF A PULL-TAB SERIES, is a new section that identifies the circumstances under which a pull-tab series may be withdrawn from play before it has been completely played out and identifies how withdrawn pull-tabs are to be accounted for, returned to play, or destroyed;
6. 12 AAC 34.600, OTHER GAMES AUTHORIZED BY THE COMMISSIONER, identifies and places limitations on specific special draw raffle games that are authorized by the commissioner;
7. 12 AAC 34.700, MAXIMUM ALLOWABLE DEDUCTIONS FOR AUTHORIZED EXPENSES, is a new section that sets a limit on the total amount of expenses that may be deducted from a permittee's pull-tab activity and sets a limit on the amount of advertising expenses that may be deducted from all gaming activity of a permittee;
8. 12 AAC 34.800, DENIAL, SUSPENSION OR REVOCATION OF A PERMIT OR LICENSE, is a new section that identifies for what reasons the department may deny an application or take disciplinary action against a permittee or licensee and provides for the process of appealing a disciplinary action (replaces 15 AAC 105.190(a));
9. 12 AAC 34.810, PROHIBITED FINANCIAL INTEREST, is a new section that clarifies when a prohibited financial interest exists among permittees, operators, distributors and manufacturers;

10. 12 AAC 34.980, CONTEST OF SKILL DEFINITIONS, is a new section that deals with marksmanship, races, and other athletic events;
11. 12 AAC 34.990, DEFINITIONS, is amended by adding a number of new definitions; and
12. The following regulations will be deleted: 15 AAC 105.160, 15 AAC 105.190(a), 15 AAC 105.320, 15 AAC 105.325, and 15 AAC 105.335.

Notice is also given that oral or written comments can be made during one of the following public hearings:

**TELECONFERENCE: MONDAY, JANUARY 7, 1991**  
9:00 a.m. to 12:00 p.m.

at the following Legislative Information Office teleconference network sites.

BARROW, Court Building  
 BETHEL, 301 Willow Street  
 JUNEAU, Butrovich Room, C205, Capitol Building  
 KENAI/SOLDOTNA, 34832 Kalifonky Beach Road  
 KODIAK, Kodiak Plaza Building, 112 Mill Bay Road  
 KOTZEBUE, Eskimo Building, 333 Front Street  
 NOME, State Building, 2nd Floor, Front Street

**ANCHORAGE: TUESDAY, JANUARY 8, 1991**  
10:00 a.m. to 1:00 p.m.  
Egan Civic and Convention Center  
Space 2, 555 W. 5th Avenue

**FAIRBANKS: WEDNESDAY, JANUARY 9, 1991**  
10:00 a.m. to 1:00 p.m.  
Noel Wien Library,  
Auditorium  
1215 Cowles Street

All hearings will continue only as long as there are participants.

Notice is also given that any person interested in making written comments or suggestions relevant to these proposals for commission and department consideration may do so by mailing those comments to Kevin Henderson, Regulations Specialist, Division of Occupational Licensing, P.O. Box D, Juneau AK 99811, so that they are received no later than WEDNESDAY, JANUARY 9, 1991.

Copies of the proposed regulations may be obtained by writing to the above address or by telephoning (907) 465-2537.

This action is not expected to require an increased appropriation.

The Department of Commerce and Economic Development, after the deadline stated above, will either adopt these or other proposals dealing with the same subject, without further notice, or decide to take no action on them.

Date: 11/16/90

Randall P. Burns  
 Randall P. Burns, Director  
 Division of Occupational Licensing

PROPOSED REGULATIONS  
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT  
DIVISION OF OCCUPATIONAL LICENSING

GAMES OF CHANCE AND SKILL

(Words underlined indicate language being added; words [CAPITALIZED AND BRACKETED] indicate language being deleted. New sections do not use underlining or bracketing.)

(Publisher: Please renumber the existing articles to read:

Article 1, Operators, to ARTICLE 2, OPERATORS;  
Article 2, Full-tab Manufacturing and Distribution, to  
ARTICLE 3, FULL-TAB MANUFACTURING AND DISTRIBUTION;  
Article 3, Full-tab Games, to ARTICLE 4, FULL-TAB GAMES;  
Article 4, Bingo Games, to ARTICLE 5, BINGO GAMES; and  
Article 5, General Provisions, to ARTICLE 9, GENERAL  
PROVISIONS)

12 AAC 34 is amended by adding a new article to read:

ARTICLE 1.  
PERMITS AND PERMITTEES

12 AAC 34.100. CONDUCT OF GAMING ON THE AIRWAYS. (a) A game of chance and skill authorized under AS 05.15.100(a) may be conducted on the airways only by a permittee and only if the permittee

(1) is a not-for-profit organization exempt from federal taxation under 26 U.S.C. 501(c)(3) (Internal Revenue Code); and

(2) has not contracted with an operator for the conduct of the game being played on the airways.

(b) Only a permittee qualified under (a) of this section, to conduct gaming activity on the airways, may advertise its gaming activity on the airways. (Eff. / / , Register )

Authority: Sec. 2, ch. 33, SLA 1990

AS 05.15.060

AS 05.15.130

AS 05.15.180

12 AAC 34 is amended by adding a new section to read:

12 AAC 34.210. OPERATOR APPLICATION REQUIREMENTS. (a) An applicant for an operator license shall submit

(1) an original application on a form provided by the department;

(2) the nonrefundable license fee required by AS 05.15.122;

(3) the bond or security satisfactory to the department as required by AS 05.15.122(b)(5).

(b) In AS 05.15.122(b)(5) and in this section, a "bond or security satisfactory to the department" means that the bond or security

(1) meets the requirements of AS 05.15.167;

(2) will be in effect for a term of two years from the date the operator license is issued; and

(3) if a certificate of deposit, is in the name of the State of Alaska in trust for the applicant and accompanied by a completed assignment of negotiable instrument form provided by the department.

(c) The department will, in its discretion, accept lienable real property located in Alaska as security required for an operator license.

(d) Except when the applicant is a municipality, two copies of the application must be submitted to the city or borough nearest the proposed gaming activity for consideration by the local government unit. An applicant shall also retain a copy of the application. (Eff. / / , Register )

Authority: AS 05.15.060

AS 05.15.122

12 AAC 34.400 is amended to read:

12 AAC 34.400. LIMITATIONS ON PULL-TAB SALES. (a) In accordance with AS 05.15.187, a pull-tab may be sold only if

- (1) all pull-tabs in the series being played have the same series number;
- (2) the entire pull-tab series is available for play at only one location;
- (3) a pull tab series contains the entire prize structure for that series.

(b) A pull-tab game may not be sold in this state if

- (1) the prize structure for that game is spread across more than one pull-tab series within that game; or
- (2) a single prize in that pull-tab game exceeds \$500.

(Eff. 6/3/90, Register 114; am / / , Register )

Authority: AS 05.15.160  
AS 05.15.130  
AS 05.15.187  
AS 05.15.210

12 AAC 34 is amended by adding a new section to read:

12 AAC 34.410. PULL-TAB PARTICIPATION. (a) A person may not participate as a player in any pull-tab series from which that person sold a pull-tab to another player.

(b) In addition to the requirements of AS 05.15.187(e), a person under the age of 19 years may not sell pull-tabs.

(Eff. / / , Register )

Authority: AS 05.15.060  
AS 05.15.130  
AS 05.15.187

12 AAC 34 is amended by adding a new section to read:

12 AAC 34.420. WITHDRAWAL OF PULL-TAB SERIES. (a) Except as provided in (b) of this section, a pull-tab series opened for play may not be withdrawn from play unless all pull-tabs in that series are sold.

(b) A pull-tab series opened for play may be withdrawn from play only for the following reasons and under the following conditions:

- (1) the permittee's prize award limitation, as identified in 12 AAC 34.900, has been reached for the calendar year; when the permittee is authorized to conduct pull-tab activities for the next calendar year, play of the withdrawn pull-tab series must be resumed immediately;
- (2) the permit under which the pull-tab series is being played has been suspended or revoked; when the permit is reissued or the suspension is lifted, play of the withdrawn pull-tab series must be resumed immediately;
- (3) an operator temporarily discontinues the use of a permit to allow for the rotating use of another permit; when the operator resumes use of the permit, the withdrawn pull-tab series must be returned to play immediately;
- (4) a permittee discontinues employment of an operator; immediately following the date on which the permittee discontinues employment with the operator the pull-tab series must be inventoried and returned to the authorizing permittee; when the permittee, or the permittee's new operator, resumes pull-tab activities the withdrawn pull-tab series must be returned to play immediately;
- (5) pull-tabs are lost, stolen, or damaged as a result of a natural disaster, including fire or flood, as long as such circumstances are documented in writing and submitted to the department within ten days of the incident;
- (6) a permittee discontinues conducting all pull-tab activities; all pull-tabs open for play still in the

possession of the permittee shall be withdrawn and destroyed immediately after the department has approved their destruction; (7) the permit under which the pull-tab series is being sold is not renewed by the permittee or the permit renewal is denied by the department; all pull-tabs open for play still in the possession of the permittee shall be withdrawn and destroyed immediately after the department has approved their destruction.

(c) When a pull-tab series opened for play is withdrawn, the permittee or operator shall retain all remaining unplayed pull-tabs and all winning pull-tabs that have already been played. Pull-tabs may be destroyed only after the department has approved their permanent withdrawal from play. (Eff. / / , Register )

Authority: AS 05.15.060  
AS 05.15.180  
AS 05.15.187

12 AAC 34 is amended by adding a new article to read:

ARTICLE 6.  
RAFFLES, MONTE CARLO, AND OTHER GAMES

12 AAC 34.600. OTHER GAMES AUTHORIZED BY COMMISSIONER.

(a) The following special draw raffles are authorized by the commissioner under AS 05.15.130:

(1) ring-toss, where the player tosses rings over a bottle or other similar object;

(2) penny pitch, where the player tosses pennies or other coins into glassware or similar objects and if the coin remains in the dish, the player receives a prize;

(3) fish pond, where the player hooks a weighted fish with a number on it and that number corresponds to the number of a prize on display;

(4) duck pond, where the player selects a floating duck and the number on the bottom of the duck corresponds with the number of a prize on display;

(5) string game, where a player selects a string and wins the prize attached to it;

(6) baseball game, where the player must toss a baseball into a numbered object to win a prize;

(7) dart game, where

(A) numbered slips of paper are placed on nails holding the various targets with the numbers turned away from the player and the total score made determines the prizes; or

(B) a wheel divided and numbered in eight sections is spun and one person throws a dart to determine the number that corresponds to the number on a laydown board on which each player has placed money;

(8) grab bag, where each player pays a fee for the right to select a wrapped or bagged package containing a prize;

(9) bean guess, where a person guesses the number of beans in a container and the person with the closest guess wins a prize;

(10) hamster game, where a hamster is placed in an enclosure with several numbered exit holes and the winner is determined by the hole in which the hamster exits.

(b) The commissioner will, in the commissioner's discretion, authorize other special draw raffles or variations on the special draw raffles authorized in (a) of this section.

(c) A charge for a single opportunity to participate in a special draw raffle authorized under this section may not exceed \$1.00.

(d) In this section, "special draw raffle" means a raffle where the winner is selected by any means other than a drawing from a container. (Eff. / / , Register )

Authority: AS 05.15.060  
AS 05.15.100  
AS 05.15.130  
AS 05.15.180

**ARTICLE 7.  
ACCOUNTING AND RECORDKEEPING**

**12 AAC 34.700. MAXIMUM ALLOWABLE DEDUCTIONS FOR AUTHORIZED EXPENSES.** (a) The total amount of authorized expenses that may be deducted for advertising, under 15 AAC 105.220(b)(3), may not exceed five percent (5%) of the adjusted gross income for that gaming activity.

(b) The total amount of authorized expenses that may be deducted from all pull-tab activity by a permittee may not exceed 40 percent (40%) of the adjusted gross income from that pull-tab activity. (Eff. / / , Register )

Authority: AS 05.15.060

12 AAC 34 is amended by adding a new article to read:

**ARTICLE 8.  
SUSPENSION AND REVOCATION OF LICENSE OR PERMIT.**

**12 AAC 34.800. DENIAL, SUSPENSION OR REVOCATION OF A PERMIT OR LICENSE.** (a) The department will, in its discretion, deny, suspend or revoke a permit or license if the applicant, permittee, or licensee

(1) makes a false statement or reports false information on an application for a permit or license or on a report required under AS 05.15, 15 AAC 105, or this chapter;

(2) fails to provide the information, documentation or fees required as a part of the application or reporting process;

(3) fails to meet the necessary qualifications for a permit or license;

(4) fails to pay a tax, fee, penalty, or interest payment due to the department or an authorizing permittee;

(5) alters or allows to be altered a permit or license issued by the department;

(6) allows the use of a permit or license by other person, except when a permittee contracts with a licensed operator;

(7) violates, or allows an employee to violate, any provision of AS 05.15, 15 AAC 105, or this chapter;

(8) fails to timely file a report or supplemental information required by AS 05.15, 15 AAC 105, or this chapter;

(9) fails to keep and retain sufficient books or records to substantiate a report required under AS 05.15, 15 AAC 105, or this chapter;

(10) fails to provide any information or documentation requested by an authorizing permittee, the department, or the department's representative necessary to substantiate a report required under AS 05.15, 15 AAC 105, or this chapter;

(11) pays, incurs or charges unreasonable or exorbitant expenses or fees;

(12) fails to remit the pull-tab tax to the pull-tab distributor when the pull-tabs are distributed;

(13) fails to pay the permittee the minimum return required by AS 05.15.128;

(14) is found to have a prohibited financial interest in a gaming activity;

(15) allows an employee or any other person to be responsible for the conduct of gaming activities who has

(A) within the preceding five years, been convicted of, in prison for, or on parole for a felony;

(B) been convicted of a crime involving theft or dishonesty or of a violation of any municipal, state, or federal gambling law; or

(C) a prohibited financial interest in the operation of the activity;

(16) uses, or allows the use of, net proceeds derived from gaming activities for purposes other than that allowed under AS 05.15, 15 AAC 105, or this chapter;

(17) deceives or defrauds any person;

(18) fails to cooperate with the department's representatives by

(A) denying access to a site where gaming activities are being conducted; or

(B) failing to promptly produce for inspection or audit a book, record, or document required by law or regulation;

(19) receives an unfavorable review of financial statements under AS 05.15.165; or

(20) uses someone other than a licensed operator or employee, as defined in 12 AAC 34.200(b), to conduct gaming activity on their behalf.

(b) A permit or license will be summarily suspended for 30 days if the permittee or licensee receives three violation notices within any 12 month period.

(c) A person who has had a permit or license suspended or revoked, or an applicant who has been denied a permit or license, may request a hearing under 15 AAC 105.190(b)-(d) and 15 AAC 105.195 to determine the validity of the department's action. (Eff. / / , Register )

Authority: AS 05.15.030

AS 05.15.040

AS 05.15.050

AS 05.15.060

AS 05.15.122

AS 05.15.128

AS 05.15.140

AS 05.15.170

12 AAC 34.610. PROHIBITED FINANCIAL INTEREST. (a) A permittee or licensee may not have a prohibited financial interest, or employ, contract with, or allow a person to participate in activities authorized by AS 05.15 who has a prohibited financial interest in any gaming activity.

(b) In addition to other prohibited financial interests the department may find, a permittee, licensee, or person participating in gaming activity has a prohibited financial interest when that permittee, licensee, person, or a direct relative of a permittee, licensee or person

(1) participates in the operation of a gaming activity while also receiving compensation for the use of equipment or facilities used to conduct that gaming activity, unless licensed as an operator;

(2) conducts gaming activity while at the same time selling bingo equipment, pull-tabs, tickets or supplies in connection with that gaming activity at a price that is higher than the normal retail price offered to all other customers.

(c) An operator has a prohibited financial interest in a gaming activity when the operator, or the operator's direct relative,

(1) is licensed in this state as a pull-tab distributor or pull-tab manufacturer;

(2) is an officer, director, or manager of a corporation, business, or organization that is licensed in this state as a pull-tab distributor or pull-tab manufacturer; or

(3) owns or controls more than 10 percent of the assets or stock of a corporation, business, or organization that is licensed in this state as a pull-tab distributor or pull-tab manufacturer.

(d) A permittee or operator may not purchase and a manufacturer or distributor may not sell or deliver a pull-tab series or game to a permittee or operator, unless payment is made in full, either by cash or by check made payable to the seller, within 30 days of the actual delivery of the pull-tab series or game to the permittee or distributor.

(e) A permittee or operator may not allow anyone to acquire any interest, including a security interest, in a pull-tab series or game.

(f) A permittee or operator may not accept a loan of money, or anything else of value, from a manufacturer, distributor, or anyone connected with gaming activity.

(Eff. / / , Register )

12 AAC 34 is amended by adding a new section to read:

12 AAC 34.988. CONTESTS OF SKILL DEFINITIONS. In AS 05.15.210(7)

- (1) "marksmanship" includes contests of skill based on rifle, pistol or archery matches in which awards are given;
- (2) "races" includes any test or race of physical endurance or skill performed by the individual contestants;
- (3) "other athletic events" are physical events which include generally recognized track and field events based on personal physical ability or skill. (Eff. / / , Register )

Authority: AS 05.15.060  
AS 05.15.100  
AS 05.15.210

12 AAC 34.990 (DEFINITIONS) is amended by adding new sections to read:

(4) "direct relative" means a person's spouse, children, parent, or other regular member of that person's household;

(5) "licensee" means a person, municipality or entity that has obtained a current license as an operator, pull-tab distributor, or pull-tab manufacturer from the department;

(Eff. 6/3/90, Register 114; am / / , Register )

Authority: AS 05.15.060  
AS 05.15.130  
AS 05.15.210

(EDITOR'S NOTE: The Department of Law is requested to delete the following regulations:

- 15 AAC 109.160. CONTESTS OF SKILL. Deleted / / .  
15 AAC 109.320. OPERATOR LICENSE AND BOND.  
Deleted / / .  
15 AAC 109.325. MINIMUM RETURN TO PERMITTEE.  
Deleted / / .  
15 AAC 109.335. PULL-TAB TAX. Deleted / / .  
15 AAC 109.190(a) is deleted  
(a) Deleted / / .  
(Eff. 9/7/60, Register 2; am 11/6/76, Register 60; am 9/17/86, Register 99; am 10/1/88, Register 107; am 1/21/89, Register 109; am / / , Register )

Authority: AS 05.15.060  
AS 05.15.083  
AS 05.15.087  
AS 05.15.122  
AS 05.15.140  
AS 05.15.170



LAWS OF ALASKA

1990

Source

Chapter No.

SCS CSHB 587(L&C)

33

AN ACT

Establishing a moratorium on the use of broadcasting to promote or conduct charitable gaming activity; establishing exceptions to the moratorium, requiring the Department of Commerce and Economic Development to hold hearings on the adoption of regulations concerning the promoting and conducting of charitable gaming activity over broadcasting outlets; and providing for an effective date.

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

AN ACT

Establishing a moratorium on the use of broadcasting to promote or conduct charitable gaming activity; establishing exceptions to the moratorium; requiring the Department of Commerce and Economic Development to hold hearings on the adoption of regulations concerning the promoting and conducting of charitable gaming activity over broadcasting outlets; and providing for an effective date.

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

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

\* Sec. 4. This Act takes effect immediately under AS 01 10 070(r).

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

\* Sec. 2. Notwithstanding sec. 1 of this Act, a person may use broadcasting to promote fish derbies, and the Department of Commerce and Economic Development may authorize a noncommercial broadcasting station or network of stations to broadcast the conducting of an activity under AS 05.15 on the station or network under a permit held by the station or network. The department may not authorize a station to broadcast the conducting of an activity for more than 12 hours in a calendar year. In this section

### SUMMARY

## of Written Testimony offered by Roger Cunningham 3/1/81

Allows  
Distr-Distr  
Sales ←

1. IN SUPPORT OF CHANGE TO AS 05.15.185 as proposed in HB168, Sec. 9:

Makes Such  
Sales  
Tax Exempt

2. REQUEST FOR CHANGE IN HB168, Sec. 8

{ \*Sec 8. AS 05.15.184 Pull-tab Tax:  
Strike the words: "or another distributor" on line 23.

Allows Distrs To  
Deliver

3. REQUEST FOR CHANGE IN HB168, Sec. 10

\*Sec 10. AS 05.15.183(e) Pull-tab distributor's license:  
Strike the words: "(3) deliver a pull-tab series to a vendor location." on line 8.

4. REQUEST FOR CHANGE TO HB168, Sec 10

I hereby request that section AS 05.15.183(b) be amended as follows:

(b)(THE DEPARTMENT MAY ISSUE A PULL-TAB DISTRIBUTORS LICENSE TO A PERSON WHO PAYS AN ANNUAL FEE OF \$1,000.) (b) The department may issue a pull-tab distributor's license to a natural person that:

Tightens Requirements  
to enforce  
Current Requirement  
that Pull tabs  
be distributed in  
State.

- (1) resides in the State of Alaska;
- (2) holds a valid Alaska Business License;
- (3) maintains a place of business in compliance with all applicable local zoning ordinances;
- (4) holds a managerial or ownership position in the proprietorship, partnership, or corporation of the distributor;
- (5) if the distributor does business as a corporation, shows proof of proper registration with the Department Commerce and Economic Development, Division of Corporations;
- (6) Applies on the form provided by the department;
- (7) pays an annual fee of \$1000.

Assures that  
ALL Records of  
Sales are  
maintained  
in-State.

Prevents out-of-  
State Audits

New Text Underlined, (DELETED TEXT BRACKETED)

SUMMARY, PAGE 2

5. REQUEST FOR CHANGE TO HB168, Sec. 10

I hereby request that section AS 05.15.183(c) be amended as follows:

(c) Pull-tabs may be distributed from a location in the state. A person may not distribute pull-tabs directly to another person in the state from a location outside of this state. Distribution from a location within this state is deemed to have occurred when:

Further  
Prevents  
"ghost  
Sales"

(1) a permittee, operator, or another distributor places an order with a pull-tab distributor within the state;

(2) Payment for such order is tendered to the pull-tab distributor within the state;

(3) All books and sales records of the pull-tab distributor are maintained at a location within the state.

6. REQUEST FOR CHANGE TO HB168, Sec. 9

I hereby request that section AS 05.15.185 be amended BY ADDING A NEW SUBSECTION as follows:

Allows  
Metlakatla  
Sales &  
Coast Guard

(b) Notwithstanding the provisions of subsection (a) above, pull-tabs may be distributed to another federal or state jurisdiction so long as all other provisions of this chapter are met.

New Text Underlined, (DELETED TEXT BRACKETED)

## Vendor Compensation

One of the provisions in HB168 that will come under consideration as it goes through the hearing process is the delicate balance over the 'split' between vendor and permittee.

This summary is compiled from statistical data presented in the February, 1991 issue of *Gaming and Wagering Business*, a trade Magazine provided to state lottery officials, horse racetrack officials, and management of legal casinos in Nevada and New Jersey. Statistics about Alaska Pull-tab games were supplied by TabTrak<sup>(c)</sup>, a Washila firm that provides gaming accounting services to permittees.

22 states pay vendors a BASE RATE of 5% (5 cents commission on each \$1 ticket). 2 other states pay 5.5% and 4 states pay 6% base rate.

In addition to BASE RATE, states generally offer various incentive bonuses which can nearly double the base:

1. California State Lottery offers vendors incentives for display of promotional material, in-store and co-op advertising allowances.
2. New Hampshire pays incentive bonuses to the SELLER of the WINNING ticket. Bonuses range from \$15 for a \$500 winner of an instant game to \$30,000 prize for selling the winning ticket in the \$million Megabucks lottery.
3. In Maryland and D.C., vendors are paid 4% for sales, plus an ADDITIONAL 3% for redeeming winning tickets.
4. Western Canada Lotteries pay vendors 5% for "on-line" lottery tickets and 10% for "off-line" instant tickets.

BASE RATES are for "on-line" games. "On-Line" means that state lotteries supply the vendor with computerized terminals which dispense the tickets. These terminals eliminate most security concerns and accomplish most of the daily accounting. These 2 items comprise most of the LABOR-INTENSIVE handling required to retail pull-tabs.

NONE OF THE STATE-RUN games are as labor-intensive as the retail sale of conventional pull-tabs.

As currently understood, vendors in Alaska are, (and will continue to be) responsible to the permittee or operator for:

1. OVERALL SECURITY of the game. The vendor IS RESPONSIBLE for any losses due to pilferage or theft. The permittee is

guaranteed 100% of what's due by statute and the contract required between permittee and vendor.

2. PRODUCTION OF RECEIPTS to winners of \$50.00 or greater. On-line terminals eliminate this paperwork.

3. DAILY SUMMARY of gaming activity. This includes sales; play-backs, in the case the customer trades a winning ticket for more pull-tabs; and payments to winners.

4. PAYMENT OF ALL PRIZES. Please note in Item 3 of the first section that Maryland and D.C. pay an additional 3% for vendors who perform this function. Pull-tabs are "instant win" games and the Alaska Vendor is responsible for ALL payments and for maintaining a bank (of his own funds) to accomplish this.

CNG asked the data-processing firm, TabTrak, to compare Alaska Pull-tab games in its database with the national statistics for lotteries. Based on nearly 10,000 games in its files, here's how pull-tabs compare:

Average Ideal Net for Alaska Pull-Tab Games:		\$646.70
Average Ticket Count of Alaska Games:		2,896.5
<b>Vendor Compensation: % of Ideal Net vs: Per Ticket</b>		
<b>% of Ideal Net</b>	<b>\$ Amount</b>	<b>Per Ticket</b>
25%	161.68	.0558
30%	194.01	.0669
35%	226.34	.0781
40%	258.68	.0903
45%	291.01	.1004
50%	323.95	.1116

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The comparison of vendor compensation as a % of ideal net to the amount on a "per ticket" basis clearly indicates that vendor compensation in the range of 35 - 45% of ideal net is in line with compensation paid to retailers of state lottery tickets. This level of compensation to vendors is further justified when the additional level of handling for pull-tabs is taken into account.

When responsibility for paying all winners falls on the vendor as well, compensation to the higher end of the scale is justified.

Alaska State Legislature  
House of Representatives



INTERIM

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SESSION

P.O. Box V  
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(907) 465-2995

Representative Dave Choquette

SPONSOR STATEMENT

Sponsor: Dave Choquette

Subject: HB 168 -- An act licensing and regulating pull tab vendors

Date: March 5, 1991

-----  
I introduced HB 168 to meet the needs and interests of charitable organizations in the State of Alaska. The bill does so in one key way. Namely, it authorizes vendor sales of pull tabs on behalf of the charity.

The "third party vendor" issue entered the limelight October 24, 1990, when the Attorney General wrote an opinion stating that use of vendors (e.g. retail outlets, bars, restaurants) for the sale of pull tabs was not provided by statute. Vendor sales of pull tabs stopped January 1, 1991, crippling those charities that self direct their pull tabs activities, and curtailing the profits returned to charities whose operators contracted with vendors for the sale of pull tabs. Should legislation recognizing vendors not pass this session, vendors cannot be authorized by regulation to conduct gaming activities. This would mean a tremendous loss for the not-for-profits.

HB 168 authorizes vendor sales of pull tabs by:

- a. requiring a written contract between the vendor and the permittee or operator which requires a return of at least 60%

of the ideal net to the permittee or operator. This will allow a charity to conduct their own pull tab activities if they so desire;

b. requiring the permittee or operator to apply to DCED for a vendor endorsement, with the \$50 collected vendor endorsement fee coming from the vendors;

c. providing DCED with the authority to approve or disapprove the vendor endorsement application based upon regulatory and statutory authority; and

d. creating a revenue generating program that will fund additional enforcement authority within DCED to combat vendor, operator, and permittee violations of gaming laws, and will provide additional revenue to the general fund.

HB168 also:

a. authorizes the distributor to distributor sale of pull tabs; and

b. increases the pay out limit in prizes for permittees using operators from \$500,000 to \$1 million.

HB 168 addresses a terrible void facing not-for-profits today. As they confront continued decline in resources due to diminishing block grant revenues, they need to have the option to solicit funds from the private sector. Vendor sales of pull tabs is a proven way of increasing their resources. With the increased enforcement authority this bill provides (at no cost to the operating budget I might add), it is a safe way of doing so as well. I believe HB168 will go far to keep not-for-profits an active voice and provider of service in this State.

# REPRESENTATIVE DAVE DONLEY

ALASKA STATE LEGISLATURE  
DISTRICT ELEVEN  
SEAT A

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CHAIRMAN

JUDICIARY COMMITTEE

VICE CHAIRMAN

REGULATION REVIEW COMMITTEE

MEMBER

RULES COMMITTEE

LABOR AND COMMERCE COMMITTEE

## Principles for Charitable Gaming

### 1. Maximum return to the charities

When the original statutes were written which allowed charitable gaming, gaming was allowed so that charities could raise funds. There is absolutely no indication that at any time the legislature set out to establish a "gaming industry" in the Alaska economy. As recently as the 1990 primary, the voters of Alaska rejected an initiative that would have legalized casino gambling and a wide range of other gaming activities.

It is clear that since gaming was legalized for the purpose of charitable fund raising, maximum return should go to the charities.

### 2. Gambling should not be made glamorous

As has been clearly demonstrated in states that have state lotteries, high payouts and heavy advertising induce people who would not normally gamble to gamble and induce those who do gamble to spend more. At no point has the legislature or the people of the state of Alaska indicated that they are interested in encouraging gambling. As the state regulates gaming, it should avoid encouraging gambling.

### 3. Charitable gaming activity should be conducted for the benefit of the greatest number of charities

Since the purpose of charitable gaming is to ensure that non-profit organizations have a funding base, it is in the best interests of the state to encourage equitable distribution of gaming related income. It would not be good public policy to allow a small number of charities or operators acting on behalf of a group of charities to monopolize this funding source.

DD/bb

JUNEAU OFFICE

(During Legislative Session January through May)

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ALASKA 172C

Anchorage Daily News May 10, 1991

# Alaska charities fear effects as pull-tab sales ban nears

By MATT KOHLMAN  
The Associated Press

JUNEAU — Alaska charities said Thursday that lawmakers will hammer the last nail in their fund-raising coffin if they don't pass legislation this session to ease the state's pull-tab lottery regulations.

"There are many non-profits that are hanging on by a prayer and a promise," said Roger Cunningham, co-chairman of the Coalition for Non-Profit Gaming.

The state in January began prohibiting the sale of pull-tab lottery tickets in unlicensed outlets. State law requires operators to have licenses, but the law had never been enforced.

The ban was later revised to allow bars, restaurants and other third-party vendors to sell pull-tabs as long they received no compensation. The provision is set to expire Wednesday.

The Hickel administration may adopt the regulation as permanent or amend it, but it, too, is looking to lawmakers for a solution.

"We've been waiting for the legislature to act responsibly," said John Hansen, gaming manager for the Division of Occupational Licensing. "Until there's a change in the law we can't recognize vendor sales."

That has meant a loss of millions of dollars for the state's nearly 1,150 non-profit groups holding gambling permits.

Pull-tabs were being sold by as many as 2,500 vendors when the state began enforcing

the ban, Hansen said.

Now, "they've just virtually locked it up," said Cunningham, whose group represents about 30 Alaska charities.

The lack of pull-tab revenue has caused the Alaska Mental Health Association to drop suicide-prevention and low-income housing plans and concentrate on existing programs, said Dan Alexander, interim director for the group.

Don Brandon, executive director of the Easter Seal Society of Alaska, said his group has had to scale down its plans to hold a summer camp. The group would have received \$15,000 just from pull-tab games that were cut short by the ban, he said.

"That would have brought us in line with doing a camp ... that would look like a camp instead of a slumber party."

Two bills seek to resolve the issue, but both have been bottled up since early April in the judiciary committees.

Legislation sponsored by Sen. Fred Zharoff, D-Kodiak, would allow third-party vendors to sell pull-tabs under state regulation. It also would guarantee charities receive at least 70 percent of the money left over after paying prizes.

Senate bill 6 is supported by the Hickel administration, Hansen said. It is also acceptable to most non-profit groups.

House bill 168, introduced by Rep. Dave Choquette, R-Anchorage, is similar to the Senate bill.

*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**

# HOUSE LABOR AND COMMERCE COMMITTEE

ALASKA STATE LEGISLATURE

P.O. BOX Y, JUNEAU 99811

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## **GAMBLING AND CHARITABLE GAMING**

### **Issues for the 1990's**

Prepared by  
Representative Dave Donley, Chair  
House labor and Commerce Committee  
October 1, 1990

In the last ten years Alaska has seen a great deal of attention focused on **gambling and charitable gaming issues** in the state. During the past legislative session alone there were over 20 gaming related bills introduced in the Alaska legislature. In addition, primary election voters considered and rejected a sweeping initiative that would have legalized casino gambling in Alaska along with a wide range of other gaming activities.

Following is a brief history of charitable gaming in Alaska outlining some of the reasons for this sudden upsurge of interest and laying out the areas of concern that **need to be addressed** by the legislature and state regulatory agencies in the next several months.

### **A HISTORY OF CHARITABLE GAMING IN ALASKA**

Since the 1960's, nonprofit charitable, religious, and educational organizations in Alaska have been permitted to conduct gaming activities to raise money for their programs.

Until the last five years, those activities have consisted almost entirely of bingo games and to a lesser extent, raffles and ice classics. Because of the inherent limitations on bingo games - they require a substantial capital investment in equipment, space and