

# ALASKA STATE LEGISLATURE

## House Labor & Commerce Committee



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### Sectional Analysis

HB 386 “An Act relating to gaming; relating to gaming activities on Alaska marine highway system vessels; relating to bingo; relating to pull-tabs and electronic pull-tab systems; relating to the powers of the Department of Transportation and Public Facilities; relating to the Alaska marine highway system fund; and providing for an effective date.”

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*This is a summary only. Note that this summary should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.*

**Section 1: Amends AS 05.15.020** Setting permit fee for gaming on AMHS vessels.

**Section 2: Amends AS 05.15.030(a) Required notices applicant, permittee, or licensee;** Removing the notice requirement to the nearest municipality by an applicant, permittee, or licensee.

**Section 3: Amends AS 05.15.030(c) Required notices applicant, permittee, or licensee;** Removing the notice requirement to “the local government.”

**Section 4: Amends AS 05.15.060(a)** Grants the Department of Revenue the authority to regulate gaming activities on AMHS vessels.

**Section 5: Amends AS 05.15.070 Investigations;** Granting the department authority to investigate licensed and unlicensed gaming operations as well as administer civil penalties.

**Section 6: Amends AS 05.15.080(b) Reports;** Adding reporting requirement regarding marketing or promotional materials.

**Section 7: Amends AS 05.15.083 Reports to departments by operators;** Removing certain reporting requirements from operator reports to the department.

**Section 8: Amends AS 05.15.087(a) Operator’s reports to permittee and payment of net proceeds;** Removing the requirement that the monthly report include a daily summary of activity and the requirement that expenses be included in the report. Adds prize payouts to the list of

information to be reported. Adds electronic funds transfer as an acceptable form of payment by an operator.

**Section 9: Amends AS 05.15.105(b) Persons prohibited from involvement;** Adding a reference to new subsection (c) of this section.

**Section 10: Amends AS 05.15.105 Persons prohibited from involvement;** Adding a new subsection (c) prohibiting the issuance of a license to a manufacturer or distributor if a parent company, sister company or subsidiary of the manufacturer has been convicted of a violation of a law that would disqualify the parent company, sister company or subsidiary under this section.

**Section 11: Amends AS 05.15.115(b) Contracts between permittees and operators;** Adding authorization for an operator to pool permittees and divide the income and payouts among permittees on a percentage basis at the end of each month.

**Section 12: Amends AS 05.15.115(d) Contracts between permittees and operators;** Transferring the requirement for contract submittal to the department from the permittee to the operator. Changes the required method of submission of contracts to the department for approval from certified mail to electronic submission.

**Section 13: Amends AS 05.15.122 Operator's license;** Adding two new subsections.

(e) Permitting an operator to conduct electronic pull-tab activities on behalf of a municipality or a qualified organization if the operator has been issued an electronic pull-tab endorsement, and establishing requirements that must be met for the operator to receive an electronic pull-tab endorsement.

(f) Allowing for the designation of a temporary party to conduct activities for 120 days should an operator die.

**Section 14: Amends AS 05.15.122(e) Operator's license;** Removing from the language created in Section 10 of this bill, the requirement of an operator to conduct pull-tabs for the preceding three years on January 1, 2031. The effective date is found in Section 54 of this bill.

**Section 15: Amends AS 05.15.128(a) Revocation of an operator's license;** Removing the minimum 15 percent of annual gross income requirement as a trigger for license revocation. Adds new paragraph 2 relating to multiple-beneficiary permit payments and reporting as an additional trigger for license revocation.

**Section 16: Amends AS 05.15.165(a) Operators;** Adding electronic funds transfer as an acceptable form of payment to a permittee.

**Section 17: Amends AS 05.15.165(c) Operators;** Allowing a sign to be posted directing individuals to a website where required information is available in place of an actual informational sign.

**Section 18: Amends AS 05.15.170(a); Suspension or revocation of permit, license, or vendor registration;** Adding that a permit, license or vendor registration may be suspended or revoked upon conviction of the owner or manager of a parent company, sister company or subsidiary of the licensee or vendor.

**Section 19: Amends AS 05.15.170 Suspension or revocation of permit, license, or vendor registration;** Adding new subsections.

(c) Requires notification by the department to an operator of the suspension or revocation of a permit, license or vendor registration be via electronic mail and shall be posted on a publicly accessible website created for citizens to interact with multiple state services. (e.g., myAlaska)

(d) Requires notification by the department to a manufacturer of the suspension or revocation of a distributor and that notice shall be via electronic mail and shall be posted on a publicly accessible website created for citizens to interact with multiple state services. (e.g. myAlaska)

**Section 20: Amends AS 05.15.180(b) Limitations on authorized activity;** Adding electronic pull-tabs to the authorized gaming activities in the state.

**Section 21: Amends AS 05.15.180(d) Limitations on authorized activity;** Increasing the maximum monthly and annual value of door prizes which may be offered by municipality, a qualified organization or under authority of a multiple-beneficiary permit to double the current statutory limit.

**Section 22: Amends AS 05.15.180(e) Limitations on authorized activity;** Requiring the department adopt regulations setting bingo session and bingo game prize limits. Increases the maximum monthly and annual value of door prizes which may be offered by a bingo hall or parlor to double the current statutory limit. Establishes that an operator may offer progressive bingo games and establishes how progressive bingo gross receipts and prizes must be carried over to another game and how prizes are awarded. Drafting convention changes were made in paragraphs 1, 2 & 3.

**Section 23: Amends AS 05.15.180(g) Limitations on authorized activity;** Removing the \$500,000 prize cap from municipalities and qualified organizations who contract with an operator. Excludes electronic pull-tabs from the provisions in this subsection.

**Section 24: Amends AS 05.15.180 Limitations on authorized activity;** Adding two new subsections:

(i) Sets the annual prize limit for a municipality or qualified organization at \$4,000,000 for electronic pull-tabs. Sets the annual prize limit for a multiple-beneficiary permit to \$4,000,000 times the number of holders of the permit for electronic pull-tabs.

(j) Grants the department the option to increase, by regulation, the prize amount in (g) and (i) of this section by up to 10 percent, once every five years.

**Section 25: Amends AS 05.15.181(d) Pull-tab manufacturers;** Clarifying that a pull-tab manufacturer may distribute pull-tabs only to a licensed pull-tab distributor.

**Section 26: Amends AS 05.15.181 Pull-tab manufacturers;** Adding twelve new subsections:

- (f) Prohibiting a pull-tab manufacturer from modifying or paying for modifications to a building to accommodate gaming activities, including electrical work or utility connection.
- (g) Prohibits a manufacturer, an owner or employee of a manufacturer, an immediate family member of a manufacturer, or a parent, sister, or subsidiary company from giving or receiving gifts or other things of value to or from a vendor, operator, permittee or qualified organization.
- (h) Requires a pull-tab manufacturer have a separate endorsement on their license prior to distributing an electronic pull-tab system in the state. Requires electronic games be tested and certified by an independent gaming testing laboratory prior to distribution.
- (i) Prohibits a manufacturer from distributing pull-tabs if a manufacturer, an owner or employee of the manufacturer or a close family member of an owner or employee of the manufacturer or a parent company, sister company or subsidiary of the manufacturer holds an interest in the distributor.
- (j) Establishes criteria under which a manufacturer may refuse to sell gaming equipment or paper pull-tabs to a licensed distributor.
- (k) Establishes subsection (j) is not applicable to application software and computer programs and equipment used in production, playing and reporting of approved pull-tab games.
- (l) Requires a manufacturer provide the same prices and quantity requirements for paper pull-tabs to each distributor.
- (m) Clarifies terms under which a manufacturer may restrict the sale of exclusive pull-tab games.
- (n) Requires a manufacturer submit to the department a copy of each contract with a distributor within seven days of signing.
- (o) Restricts point-of-sale data from paper tickets and bingo.
- (p) Prohibits issuance of a manufacturer's license to a person otherwise prohibited under AS 05.15.105.
- (q) Prohibits connection of the price or availability of a paper pull-tab to an electronic pull-tab game and vice-versa.

**Section 27: Amends AS 05.15.183(a) Pull-tab distributors;** Requiring a distributor have a license to distribute electronic pull-tab systems. Prohibits the issuance of a distributor's license by the department if the person is licensed as an operator or participates in another aspect of the manufacture or sale of pull-tabs. Prohibits the issuance of an electronic pull-tab endorsement to a distributor's license should an ownership interest be held by a manufacturer, a parent or sister company or subsidiary of a manufacturer.

**Section 28: Amends AS 05.15.183(c) Pull-tab distributors;** Adding that electronic pull-tab systems may only be distributed from a location within the state.

**Section 29: Amends AS 05.15.183(e) Pull-tab distributors;** Establishes that a distributor may deliver electronic pull-tab series directly to a vendor on behalf of a permittee.

**Section 30: Amends AS 05.15.183 Pull-tab distributors;** Adding eight new subsections.

- (f) Establishes a distributor must have an electronic pull-tab endorsement prior to distributing an electronic pull-tab system.
- (g) Prohibits issuance of a distributor's license to a person otherwise prohibited under AS 05.15.105.
- (h) Establishes restricted actions of a distributor.
  - (1) Prohibits gifts, compensation or other things of value greater than \$25 to a municipality or qualified organization, or an employee or agent of a municipality or qualified organization.
  - (2) Prohibits modification of a building for the purposes of accommodating a gaming system, including electrical work or utility connection.
  - (3) Prohibits giving compensation or a thing of value to an owner or lessor of a gaming premises.
  - (4) Prohibits participation in gaming activities at a premises using equipment from that distributor.
  - (5) Prohibits alteration or modification of gaming equipment, except to add a last sale sticker.
  - (6) Prohibits obtaining or using point-of-sale information.
  - (7) Prohibits connection of the price or availability of a paper pull-tab to an electronic pull-tab game and vice-versa.
  - (8) Prohibits a distributor from being an owner, shareholder of a manufacturer.
  - (9) Restricting distribution of electronic pull-tabs from a manufacturer described in AS 05.15.181(i) holds an ownership interest in the distributor.

(10) Restricts distribution of a pull-tab game to a permittee or licensee owned or managed by a person within two degrees of consanguinity to an owner or employee of a distributor.

(i) Requires electronic pull-tabs meet the requirements of AS 05.15.186.

(j) Allows up to \$250 a year in marketing and promotional materials may be provided to a qualifying permit holder. Requires reporting of these materials by the distributor to include value of the items provide and the physical location where the materials will be used or displayed.

(k) Requires a distributor submit copies of contracts with a permittee, multiple-beneficiary permittee, vendor or operator to the department.

(l) Requires the department provide a serialized stamp to a distributor and requires tablets be stamped.

(m) Requires contracts between a distributor and a permittee allow for termination by either party without penalty with 30 days' notice. Prohibits incentive or signing bonuses as well as penalties based on the term of the contract.

**Section 31: Amends AS 05.15.185 Distribution of pull-tabs;** Updating serial number and integrity requirements to apply to electronic pull-tabs as well as paper pull-tabs. Allows for distribution of electronic pull-tab games to a vendor under 05.15.183(e).

**Section 32: Amends AS 05.15.185 Distribution of pull-tabs;** Adding three new subsections:

(b) Establishes additional requirements for electronic pull-tabs.

(c) Limits electronic pull-tab games to a maximum of 15,000 tickets.

(d) Requires the cost of each ticket for a paper pull-tab game be disclosed on the invoice.

**Section 33: Amends AS 05.15 by adding a new section: AS 05.15.186 Electronic pull-tabs.**

The new language provides for the physical characteristics of electronic pull-tab devices, their operation, and security. Allows for debit card transactions. Prohibits the acceptance of credit cards and connection to a system which accepts credit card transactions. Dispensing anything of value, and any visuals that mimic the spinning reels of a slot machine are all prohibited. Pull-tab machines must display the serial number or series of numbers for an electronic pull-tab, the display, and any prize awarded and may automatically close when all winning tickets have been played. The new language sets limits for payouts, fees at 35 percent of gross receipts, and prohibits linking the ability to purchase paper pull-tabs or prizes to electronic pull-tabs.

**Section 34: Amends AS 05.15.187(d) Operation of pull-tab games;** Clarifying that the provisions in this subsection apply only to paper pull-tabs.

**Section 35: Amends AS 05.15.187(e) Operation of pull-tab games;** Specifies no person under 21 years of age may access pull-tabs.

**Section 36: Amends AS 05.15.187(f) Operation of pull-tab games;** Adding language specifying that the current record-keeping requirements for permittees in this subsection apply to paper pull-tabs and adding language with requirements for record keeping for electronic pull-tabs.

**Section 37: Amends AS 05.15.187(i) Operation of pull-tab games;** Clarifying that the provisions in this subsection apply only to paper pull-tabs and increasing from \$50 to \$100 the prize amount at or above which a prize winner is required to sign a receipt.

**Section 38: Amends AS 05.15.187 Operation of pull-tab games;** Adding five new subsections. Requires designation of a person at an operation who on site and is responsible for overseeing pull-tabs. Requires the department limit the number of electronic pull-tab devices in play at a location to one tablet for every six persons who may occupy the premises or ten tablets total, whichever is greater. Prohibits owners, employees, and those who have access to electronic pull-tab status reports from playing paper or electronic pull-tabs at a location. Prohibits those who operate or benefit from pull-tab sales from receiving gifts from manufacturers or from individuals or companies connected to manufacturers.

**Section 39: Amends AS 05.15.188(g) Pull-tab sales by vendors on behalf of permittees; vendor registration;** Adding the option for an alternate member in charge of pull-tab operations and specifying that the provisions in this subsection apply only to paper pull-tabs.

**Section 40: Amends AS 05.15.188(h) Pull-tab sales by vendors on behalf of permittees; vendor registration;** Clarifying that the provisions in this subsection apply only to paper pull-tabs.

**Section 41: Amends AS 05.15.188(i) Pull-tab sales by vendors on behalf of permittees; vendor registration;** Adding the option for an alternate member in charge of pull-tab operations to accept vendor payments, specifying that the provisions in this subsection apply only to paper pull-tabs, and allowing for electronic payments from vendors to permittees, and requires the payee be identified.

**Section 42: Amends AS 05.15.188 Pull-tab sales by vendors on behalf of permittees; vendor registration;** Adding nine new subsections. Provides a permittee - vendor electronic pull-tab contractual limit of 25 percent of gross receipts less the prize payouts. Limits vendor locations to selling only paper pull-tabs and electronic pull-tabs on portable tablet devices. Specifies vendors monthly reporting requirements, and monthly payment schedule. Allows a distributor to facilitate payments from a vendor to a permittee and a distributor on behalf of a permittee by using a third party, if approved by the department. Allows adoption of regulations to implement this subsection. Limits vendor's portion to not more than 30% of adjusted gross income (AGI) for paper pull-tabs and 25% of AGI for electronic pull-tabs. Allows for a vendor to pool permittees, specifies that cash shortages are the vendor's responsibility, and prohibits registration of vendors that are prohibited under AS 05.15.105. Also prohibits vendors from receiving gifts from manufacturers or from individuals or companies connected to manufacturers.

**Section 43: Amends AS 05.15 Adding new Article 2A;** To allow gaming on Alaska marine highway system vessels.

**Section 44: Amends AS 05.15.640(a) Restrictions on use of broadcasting; online gaming;** Removing the prohibition on using broadcasting to promote a charitable gaming activity.

**Section 45: Amends AS 05.15.640(c) Restrictions on use of broadcasting; online gaming;** Adding language defining “internet” and “internet communication” for the purpose of conducting charitable gaming activities as allowed under this subsection.

**Section 46: Amends AS 05.15.690(1) Definitions;** Adding taxes collected under AS 05.15.184 to adjustments that may be made to calculate adjusted gross income.

**Section 47: Amends AS 05.15.690(33) Definitions;** Removing restrictions on what is an allowed expense against gross receipts.

**Section 48: Amends AS 05.15.690(39) Definitions;** Adding electronic representation of a card to the definition of pull-tab game, allowing for electronic pull-tabs.

**Section 49: Amends AS 05.15.690(40) Definitions;** Adding school-based extracurricular or co-curricular booster clubs and the DOT&PF on behalf of the Alaska marine highway system to the list of qualified organizations that may benefit from pull-tab operations. Further expands the definition of a “qualified organization” to add a school-based booster club in existence for less than three years if the club is supporting an activity which has been in existence for three years prior to application.

**Section 50: Amends AS 05.15.690(46) Definitions;** Adding electronic pull-tab serial numbers to the definition of “series.”

**Section 51: Amends AS 05.15.690 Definitions;** Adding definitions for “distributor,” “electronic pull-tab systems,” “immediate family member” and “manufacturer.”

**Section 52: Amends AS 19.05.040; Powers of department;** Granting the power to apply for a gaming permit on behalf of the AMHS and to conduct gaming activity under AS 05.15.

**Section 53: Amends AS 19.65.60(a); AMHS Fund;** Allowing directing permit fees, taxes and revenue generated for gaming activities on the AMHS vessels to the fund.

**Section 54: Repeals** statutes requiring regulations be consistent with the North American Gaming Regulators Association, limiting permittees to contracting with only one operator, requiring permittees to use proceeds within one year, repealing the list of allowed expenses against revenue from pull-tab operations, repeals penalty language for operators claiming unauthorized expenses, repeals language allowing the department to authorize non-commercial stations to broadcast limited conduction of gaming activity, and repeals the definition of “internet” and “internet connection” in this section.

**Section 55:** Provides that AS 05.15.183(m) only applies to contracts entered into on or after the effective date of Section 30.

**Section 56:** Amends uncodified law providing the Department of Revenue authority to adopt regulations necessary to implement this Act.

**Section 57:** Provides an immediate effective date for Section 56.

**Section 58:** Provides an effective date of January 1, 2031, for Section 14 of the bill.

**Section 59:** Provides an effective date of January 1, 2027, except as provided in secs. 57 and 58 of this Act.