

SENATE BILL NO. 199

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - FIRST SESSION

BY THE SENATE JUDICIARY COMMITTEE BY REQUEST

Introduced: 5/8/97

Referred: Judiciary, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to charitable gaming and to gaming on state ferries; and
2 providing for an effective date."

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

4 * **Section 1.** AS 05.15.060(a) is amended to read:

5 (a) The department shall adopt regulations under AS 44.62 (Administrative
6 Procedure Act) necessary to carry out this chapter covering, but not limited to,

7 (1) the issuance, renewal, and revocation of permits, licenses, and **pull-**
8 **tab and video lottery** vendor registrations;

9 (2) a method of ascertaining net proceeds, the determination of items of
10 expense that may be incurred or paid, and the limitation of the amount of the items of
11 expense to prevent the proceeds from the activity permitted from being diverted to
12 noncharitable, noneducational, nonreligious, or profit-making organizations, individuals,
13 or groups;

14 (3) the immediate revocation of permits, licenses, and **pull-tab and video**
15 **lottery** vendor registrations authorized under this chapter if this chapter or regulations

1 adopted under it are violated;

2 (4) the requiring of detailed, sworn, financial reports of operations from
3 permittees and licensees including detailed statements of receipts and payments;

4 (5) the investigation of permittees, licensees, registered **pull-tab or video**
5 **lottery** vendors, and their employees, including the fingerprinting of those permittees,
6 licensees, registered **pull-tab or video lottery** vendors, and employees whom the
7 department considers it advisable to fingerprint;

8 (6) the method and manner of conducting authorized activities and
9 awarding of prizes or awards, and the equipment that may be used;

10 (7) the number of activities that may be held, operated, or conducted
11 under a permit during a specified period; however, the department may not allow more
12 than 14 bingo sessions a month and 35 bingo games a session to be conducted under a
13 permit; the holders of a multiple-beneficiary permit under AS 05.15.100(d) may hold,
14 operate, or conduct the number of sessions and games a month equal to the number
15 allowed an individual permittee per month multiplied by the number of holders of the
16 multiple-beneficiary permit;

17 (8) a method of accounting for receipts and disbursements by operators,
18 including the keeping of records and requirements for the deposit of all receipts in a
19 bank;

20 (9) the disposition of funds in possession of a permittee, a person,
21 municipality, or qualified organization that possesses an operator's license, or a registered
22 **pull-tab or video lottery** vendor at the time a permit, a license, or a **pull-tab or video**
23 **lottery** vendor registration is surrendered, revoked, or invalidated;

24 (10) restrictions on the participation by employees of the Department of
25 Fish and Game in salmon classics and in king salmon classics, and by employees of
26 Douglas Island Pink and Chum in king salmon classics;

27 (11) other matters the department considers necessary to carry out this
28 chapter or protect the best interest of the public.

29 * **Sec. 2.** AS 05.15.070 is amended to read:

30 **Sec. 05.15.070. Examination of books and records.** The department may
31 examine or have examined the books and records of a permittee, an operator, a
32 registered **pull-tab or video lottery** vendor, or a person licensed to manufacture or to

1 distribute **video lottery machines or** pull-tab games in the state. The department may
 2 issue subpoenas for the attendance of witnesses and the production of books, records,
 3 and other documents.

4 * **Sec. 3.** AS 05.15.095(a) is amended to read:

5 (a) The applications and reports to the department required by this chapter
 6 shall be signed under penalty of unsworn falsification by the following person, as
 7 applicable:

8 (1) the member in charge for the qualified organization;

9 (2) a person authorized to sign on behalf of the municipality;

10 (3) the operator or the operator's agent;

11 (4) the licensed pull-tab distributor or the distributor's agent; [OR]

12 (5) the licensed pull-tab manufacturer or the manufacturer's agent;

13 **(6) the licensed video lottery machine distributor or the**
 14 **distributor's agent;**

15 **(7) the licensed video lottery machine manufacturer or the**
 16 **manufacturer's agent;**

17 **(8) the registered video lottery vendor or the vendor's agent; or**

18 **(9) the registered pull-tab vendor or the vendor's agent.**

19 * **Sec. 4.** AS 05.15.100 is amended by adding a new subsection to read:

20 (e) The department may issue a permit to a municipality or qualified
 21 organization to conduct video lotteries through the use of video lottery machines by
 22 registered video lottery vendors.

23 * **Sec. 5.** AS 05.15.105(a) is amended to read:

24 (a) If a person has been convicted of a violation of a law of this state that is,
 25 or a law or ordinance of another jurisdiction that would be if it had been committed
 26 in this state, a felony, or a violation of a law or ordinance of this state or another
 27 jurisdiction that is a crime involving theft or dishonesty or a violation of gambling
 28 laws

29 (1) the department may not issue a license to the person;

30 (2) the department may not issue a license to, or register as a **pull-tab**
 31 **or video lottery** vendor, an applicant who employs the person in a managerial or

1 supervisory capacity or uses the person as a fund raiser or consultant;

2 (3) the department may not issue a permit for an activity if the person
3 is responsible for the operation of the activity;

4 (4) the person may not be employed in a managerial or supervisory
5 capacity by a licensee or vendor or used as a fund raiser or consultant by a licensee
6 or **a pull-tab or video lottery** vendor;

7 (5) the person may not participate in charitable gaming as a permittee,
8 licensee, or **pull-tab or video lottery** vendor.

9 * **Sec. 6.** AS 05.15.115(c) is amended to read:

10 (c) A permittee may not contract with more than one operator at a time to
11 conduct the same type of activity. For the purposes of this subsection, bingo games,
12 raffles, lotteries, pull-tab games, ice classics, rain classics, goose classics, mercury
13 classics, deep freeze classics, mushing sweepstakes, canned salmon classics, salmon
14 classics, king salmon classics, dog mushers' contests, snow machine classics, fish
15 derbies, and contests of skill are each a different type of activity. **A permittee may**
16 **not contract with an operator to conduct video lotteries.**

17 * **Sec. 7.** AS 05.15.124 is amended to read:

18 **Sec. 05.15.124. Municipal regulation of operators or vendors.** A
19 municipality may by ordinance prohibit an operator, **a pull-tab vendor**, or a **video**
20 **lottery** vendor from conducting activities under this chapter within the municipality.

21 * **Sec. 8.** AS 05.15.128(a) is amended to read:

22 (a) The department shall revoke the license of an operator who does not

23 (1) report an adjusted gross income of at least 15 percent of gross
24 income annually based on the total operation of the operator; or

25 (2) pay to each authorizing permittee annually at least 30 percent of the
26 adjusted gross income, as determined under (1) of this subsection, from a pull-tab
27 activity or at least 10 percent of the adjusted gross income, as determined under (1)
28 of this subsection, from a gaming activity other than **video lotteries and** pull-tabs,
29 received from activities conducted on behalf of the authorizing permittee.

30 * **Sec. 9.** AS 05.15.150(a) is amended to read:

31 (a) The authority to conduct the activity authorized by this chapter is contingent

1 upon the dedication of the net proceeds of the charitable gaming activity to the awarding
 2 of prizes to contestants or participants and to [POLITICAL,] educational, civic, public,
 3 charitable, patriotic, or religious uses in the state. "**Educational** [POLITICAL,
 4 EDUCATIONAL], civic, public, charitable, patriotic, or religious uses" means uses
 5 benefiting persons either by bringing them under the influence of education or religion
 6 or relieving them from disease, suffering, or constraint, or by assisting them in
 7 establishing themselves in life, or by providing for the promotion of the welfare and
 8 well-being of the membership of the organization within their own community, [OR
 9 THROUGH AIDING CANDIDATES FOR PUBLIC OFFICE OR GROUPS THAT
 10 SUPPORT CANDIDATES FOR PUBLIC OFFICE,] or by erecting or maintaining public
 11 buildings or works, or lessening the burden on government, but does not include

12 (1) the direct or indirect payment of any portion of the net proceeds of
 13 a bingo, **video lottery**, or pull-tab game to a lobbyist registered under AS 24.45;

14 (2) the erection, acquisition, improvement, maintenance, or repair of real,
 15 personal, or mixed property unless it is used exclusively for one or more of the permitted
 16 uses; or

17 (3) the direct or indirect payment of any portion of the net proceeds of
 18 a charitable gaming activity, except the proceeds of a raffle and lottery,

19 (A) to aid candidates for public office or groups that support or
 20 oppose candidates for public office;

21 (B) to a political party or to an organization affiliated with a
 22 political party; or

23 (C) to a group, as that term is defined in AS 15.13.400, or a
 24 political group, as that term is defined in AS 15.60, that seeks to influence the
 25 outcome of an election.

26 * **Sec. 10.** AS 05.15.160(d) is amended to read:

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

31 * **Sec. 11.** AS 05.15.170 is amended to read:

32 **Sec. 05.15.170. Suspension or revocation of permit, license, or vendor**

1 **registration.** (a) The department may suspend, for a period of up to one year, or
 2 revoke a permit, license, or **pull-tab or video lottery** vendor registration, after giving
 3 notice to and an opportunity to be heard by the permittee or licensee, if the permittee,
 4 licensee, or **pull-tab or video lottery** vendor

5 (1) violates or fails to comply with a requirement of this chapter or of
 6 a regulation adopted under this chapter;

7 (2) breaches a contractual agreement with a permittee, licensee, or
 8 registered **pull-tab or video lottery** vendor;

9 (3) becomes disqualified to participate in charitable gaming as provided
 10 in AS 05.15.105; for the purposes of this paragraph, a permittee, licensee, or **pull-tab**
 11 **or video lottery** vendor that is not a natural person is considered convicted if an owner
 12 or manager of the permittee, licensee, or **pull-tab or video lottery** vendor is convicted;

13 (4) knowingly submits false information to the department or, in the case
 14 of a registered **pull-tab or video lottery** vendor, to a permittee when the **pull-tab or**
 15 **video lottery** vendor knows that the false information will be submitted to the
 16 department as part of an application for registration; or

17 (5) gives or acts upon any inside information on the status of the prizes
 18 awarded or to be awarded in a pull-tab game.

19 (b) If the department revokes a license or **pull-tab or video lottery** vendor
 20 registration under this section, it may prohibit the licensee or **pull-tab or video lottery**
 21 vendor from reapplying for a license or **pull-tab or video lottery** vendor registration for
 22 a period of not more than five years. If the department revokes a permit under this
 23 section, it may prohibit the permittee from reapplying for a permit for a period of not
 24 more than one year.

25 * **Sec. 12.** AS 05.15.180(a) is amended to read:

26 (a) **Except as provided in AS 05.15.300 - 05.15.360, this** [THIS] chapter does
 27 not authorize the use of playing cards, dice, roulette wheels, coin-operated instruments
 28 or machines, or other objects or instruments used, designed, or intended primarily for
 29 gaming or gambling or any other method or implement not expressly authorized by the
 30 department.

31 * **Sec. 13.** AS 05.15.180(b) is amended to read:

32 (b) With the exception of raffles, lotteries, bingo games, **video lotteries**, pull-tab

1 games, rain classics, goose classics, mercury classics, deep freeze classics, snow machine
 2 classics, mushing sweepstakes, canned salmon classics, salmon classics, king salmon
 3 classics, an activity may not be licensed under this chapter unless it existed in the state
 4 in substantially the same form and was conducted in substantially the same manner
 5 before January 1, 1959. A snow machine classic may not be licensed under this chapter
 6 unless it has been in existence for at least five years before the licensing.

7 * **Sec. 14.** AS 05.15.180(g) is amended to read:

8 (g) A municipality or a qualified organization may award a maximum of
 9 \$1,000,000 in prizes each year in activities authorized under this chapter; however, if a
 10 municipality or a qualified organization contracts with an operator to conduct on its
 11 behalf activities authorized under this chapter, the municipality or qualified organization
 12 may award a maximum of \$500,000 in prizes each year. The holders of a
 13 multiple-beneficiary permit under AS 05.15.100(d) may award a maximum in prizes each
 14 year of \$1,000,000 times the number of holders of the permit for activities authorized
 15 under this chapter. In this subsection, "activities authorized under this chapter" means
 16 all activities subject to this chapter other than bingo **and video lotteries.**

17 * **Sec. 15.** AS 05.15.183(e) is amended to read:

18 (e) A distributor may not

19 (1) take an order for the purchase of a pull-tab series from a **pull-tab**
 20 vendor;

21 (2) sell a pull-tab series to a **pull-tab** vendor; or

22 (3) deliver a pull-tab series to a **pull-tab** vendor.

23 * **Sec. 16.** AS 05.15.187(h) is amended to read:

24 (h) An owner, manager, or employee of a person holding a permit or license
 25 under this chapter, or registered under this chapter as a **pull-tab** vendor, may not
 26 purchase a pull-tab from a pull-tab series manufactured, distributed, or sold by the
 27 permittee, licensee, or registered **pull-tab** vendor.

28 * **Sec. 17.** AS 05.15.187(i) is amended to read:

29 (i) A permittee, operator, or registered **pull-tab** vendor may not turn over a prize
 30 of \$50 or more to a person with a pull-tab card entitling the person to that prize unless
 31 the person signs a receipt for the prize and returns the receipt to the permittee, operator,
 32 or **pull-tab** vendor. The receipt must be in a form approved by the department.

1 * **Sec. 18.** AS 05.15.188 is amended to read:

2 **Sec. 05.15.188. Pull-tab sales by pull-tab vendors on behalf of permittees;**
3 **pull-tab vendor registration.** (a) A permittee may contract with a **pull-tab** vendor to
4 sell pull-tabs on behalf of the permittee, if the permittee first registers the **pull-tab**
5 vendor with the department by applying for registration on a form prescribed by the
6 department and by submitting the registration fee of \$50 for each location at which the
7 **pull-tab** vendor will sell pull-tabs.

8 (b) Upon approval of the **pull-tab** vendor registration, the department shall issue
9 an endorsement to the permittee's permit that authorizes the conduct of pull-tab sales at
10 that **pull-tab** vendor location.

11 (c) The endorsement issued under (b) of this section is an extension of the
12 permittee's privilege under AS 05.15.100 to conduct pull-tab sales in this state. A **pull-**
13 **tab** vendor may not sell a pull-tab series until a copy of the permit containing the
14 endorsement for the new **pull-tab** vendor location has been posted by the permittee in
15 the registered **pull-tab** vendor establishment. The endorsed permit must be clearly
16 visible to the gaming public.

17 (d) A separate endorsement shall be issued for each **pull-tab** vendor location.
18 The permittee shall inform the department when a **pull-tab** vendor with whom the
19 permittee is contracting changes the physical location at which pull-tabs are sold, and
20 shall return to the department all copies of a permit endorsed to a **pull-tab** vendor that
21 is no longer selling pull-tabs on behalf of the permittee. Failure to inform the
22 department of a change in **pull-tab** vendor location, or to return the endorsed copies of
23 a permit to the department after a **pull-tab** vendor change, may constitute grounds for
24 the suspension or revocation of a permittee's permit.

25 (e) At the time that a permittee annually renews its permit, it shall also renew
26 the registration of all locations where a **pull-tab** vendor is selling pull-tabs on the
27 permittee's behalf and shall pay a registration fee of \$50 for each **pull-tab** vendor
28 location.

29 (f) A permittee that uses a **pull-tab** vendor to sell pull-tabs on its behalf shall
30 enter into a written contract with that **pull-tab** vendor. The department may inspect this
31 contract. If the contract contains provisions that violate this chapter or the regulations
32 adopted under it, the department may declare the contract void, and may suspend or

1 revoke the registration of the **pull-tab** vendor and the permit of the permittee.

2 (g) A person, other than a permittee's member-in-charge, may not directly supply
3 a pull-tab series to a registered **pull-tab** vendor for sale by that **pull-tab** vendor on
4 behalf of the permittee.

5 (h) If a permittee contracts with a **pull-tab** vendor under (a) of this section, the
6 contract must provide that the permittee shall receive no less than 70 percent of the ideal
7 net.

8 (i) An amount equal to the ideal net less the compensation owed to the **pull-tab**
9 vendor shall be paid by the **pull-tab** vendor to the member-in-charge upon delivery of
10 a pull-tab series to the **pull-tab** vendor for sale. The amount required to be paid by the
11 **pull-tab** vendor shall be paid by check and the check may not be drawn in a manner that
12 the payee is not identified.

13 (j) An operator may not contract with or use a **pull-tab** vendor to sell pull-tabs.

14 (k) A permittee may not contract with more than five **pull-tab** vendors under
15 this section.

16 * **Sec. 19.** AS 05.15 is amended by adding new sections to read:

17 **Article 2A. Video Lotteries.**

18 **Sec. 05.15.300. Video lottery.** (a) The department may issue a video lottery
19 endorsement to a permittee to conduct video lottery charitable gaming. The endorsement
20 provides the permittee with the authority to

21 (1) contract with a video lottery vendor to conduct video lottery
22 charitable gaming by use of video lottery machines; or

23 (2) if the permittee has a club license under AS 04.11.110, conduct video
24 lottery charitable gaming by use of video lottery machines.

25 (b) To obtain an video lottery endorsement under

26 (1) (a)(1) of this section, a permittee shall register the video lottery
27 vendor with the department by applying for registration on a form prescribed by the
28 department and by submitting a fee of \$100 for each location at which the video lottery
29 vendor will conduct video lottery charitable gaming and a fee of \$100 for each video
30 lottery machine the permittee will have at each location;

31 (2) (a)(2) of this section, the permittee shall submit proof of the club
32 license to the department and submit a fee of \$100 for each licensed location and a fee

1 of \$100 for each video lottery machine the permittee will operate at each location.

2 (c) The endorsement issued under (a) of this section is an extension of the
3 permittee's privilege to conduct charitable gaming in this state. In addition to the
4 endorsement, the department shall issue a machine permit for each video lottery machine
5 for which the permittee has paid the fee required under (b) of this section. A permittee
6 or registered video lottery vendor may not conduct video lottery charitable gaming until
7 a copy of the permit and the endorsement is posted by the permittee at the establishment
8 where the machine is located and the machine permit is posted on the machine. The
9 permit, endorsement, and each machine permit must be clearly visible to the public.

10 (d) A separate endorsement shall be issued for each permittee or video lottery
11 vendor location. The permittee shall inform the department when the permittee, or a
12 video lottery vendor with whom the permittee is contracting, changes the physical
13 location at which video lottery charitable gaming is conducted and shall return to the
14 department all copies of a permit endorsed to a permittee, or a video lottery vendor, that
15 is no longer conducting video lottery charitable gaming. Failure to inform the
16 department of a change in permittee or video lottery vendor location, or to return the
17 endorsed copies of a permit to the department after a permittee or video lottery vendor
18 change, constitutes grounds for the suspension or revocation of a permittee's permit.

19 (e) At the time that a permittee annually renews its permit, the permittee shall
20 also renew the registration of all locations where the permittee or a video lottery vendor
21 is conducting video lottery charitable gaming and shall pay the fees required under (b)
22 of this section for each location and machine.

23 (f) A permittee that uses a video lottery vendor to conduct video lottery
24 charitable gaming on its behalf shall enter into a written contract with that video lottery
25 vendor. The department may inspect this contract. If the contract contains provisions
26 that violate this chapter or the regulations adopted under it, the department may declare
27 the contract void, and may suspend or revoke the registration of the video lottery vendor
28 and the permit of the permittee. The contract must contain provisions regarding the
29 allocation of the costs of purchasing or leasing the video lottery machines.

30 (g) Only video lottery machines approved by the department may be used for
31 video lottery charitable gaming. A permittee may purchase the machines directly from
32 a licensed video lottery machine distributor or may enter into a lease or lease-purchase

1 arrangement for the machines with the distributor. A lease or lease-purchase
2 arrangement must be approved by the department.

3 (h) If a permittee

4 (1) contracts with a video lottery vendor under (a)(1) of this section, the
5 contract must provide that the

6 (A) permittee shall receive 30 percent of the net machine income;

7 (B) registered video lottery vendor shall receive 30 percent of the
8 net machine income;

9 (C) state shall receive 15 percent of the net machine income; and

10 (D) municipality in which each machine is located, or the state
11 if the machine is located in the unorganized borough outside of municipalities,
12 shall receive 25 percent of the net machine income;

13 (2) conducts video lottery charitable gaming under (a)(2) of this section,
14 the permittee must remit the percentages of net machine income under (1) of this
15 subsection to the state and municipality, if any, at times set by the department by
16 regulation.

17 (i) The odds of winning each video lottery game shall be posted on or near each
18 video lottery machine. The manner in which the odds are calculated and how they are
19 posted shall be set by the department by regulation.

20 (j) A video lottery machine may

21 (1) not be played by a person under the age of 21;

22 (2) only be played during the legal hours of operation allowed by the
23 permittee's or video lottery vendor's license under AS 04.11 and applicable municipal
24 ordinance;

25 (3) not be played if the machine permit is not posted on the machine.

26 (k) A permittee may not contract with more than five video lottery vendors
27 under this section. A video lottery vendor may not have more than 10 video lottery
28 machines at each video lottery vendor location.

29 (l) All video lottery machines shall be monitored by the video lottery vendor
30 during business hours. Monitoring shall be accomplished by the physical presence of an
31 employee of the video lottery vendor or by an employee using video cameras or mirrors
32 and by periodic personal inspections of the machines and the area in which the machines

1 are located.

2 (m) A permittee or a registered video lottery vendor may not advertise in any
3 manner the possession or availability of video lottery machines on their premises or
4 under their permit or registration.

5 (n) If the sale of alcoholic beverages has been prohibited within a municipality
6 under AS 04.11.490, the department may issue a video lottery endorsement to a permittee
7 within the municipality that provides the permittee with the authority to conduct video
8 lottery charitable gaming by use of video lottery machines in the manner permittees with
9 club licenses under AS 04.11.110 are authorized to conduct video lottery charitable
10 gaming if the video lottery charitable gaming is only conducted within a location into
11 which the access is restricted to persons 21 years of age or older.

12 **Sec. 05.15.310. Video lottery machines.** The department may not approve a
13 video lottery machine unless the machine

14 (1) offers only games authorized by the department;

15 (2) does not have any means of manipulation that affect the random
16 probabilities of winning a game;

17 (3) is designed to accept coins or cash in the form of bills, to prevent the
18 obtaining of plays or credits without paying by stringing, slamming, drilling, or other
19 means of manipulation, and to suspend itself from operation until it is physically reset
20 if physically tampered with;

21 (4) has nonresettable meters housed in a readily accessible locked
22 machine area that keeps a permanent record of all money inserted into the machine, all
23 refunds of winnings made by the machine's printer, credits played for video lottery
24 games, and credits won by video lottery players;

25 (5) does not directly pay off winning players by means of coins, cash,
26 or tokens but is capable of printing a ticket voucher stating the value of the prize for the
27 player at the completion of each video lottery game, the time of day in a 24-hour format
28 showing hours and minutes, the date, the machine serial number, the sequential number
29 of the ticket vouchers, and an encrypted validation number from which the validity of
30 the prize may be determined;

31 (6) has accounting software that keeps an electronic record that includes
32 total money inserted into the machine, the value of winning tickets claimed by players,

1 the total video lottery credits awarded by a video lottery game, and the payback
2 percentages credited players of each video lottery game;

3 (7) is linked under a central communications system to provide auditing
4 program information as approved by the department; the communications system
5 approved by the department under this paragraph may not limit participation to only one
6 manufacturer of video lottery machines by either the cost of implementing the necessary
7 program modifications to communicate or the inability to communicate with the central
8 communications system; this paragraph does not require that a machine to be approved
9 must be on-line or otherwise in constant communication with a central computer;

10 (8) does not allow more than \$2 to be played on a game or award free
11 games or credits in excess of the value of \$125 per credit value of \$.25 played; and

12 (9) has a total payoff of at least 80 percent of the value of one \$.25
13 credit.

14 **Sec. 05.15.320. Video lottery machine manufacturers.** (a) A person may not
15 manufacture video lottery machines or associated equipment in the state, and may not
16 sell or distribute a video lottery machine or associated equipment that the person has
17 manufactured outside of the state to persons in the state, unless the person has received
18 a video lottery manufacturer's license issued by the department.

19 (b) The department may issue a video lottery machine manufacturer's license to
20 a person who pays an annual fee of \$5,000.

21 (c) A video lottery machine or associated equipment may not be manufactured,
22 sold, or distributed in the state unless it has been approved by the department. The
23 department shall examine prototypes of video lottery machines and associated equipment
24 that a licensed manufacturer wishes to manufacture, sell, or distribute in the state. The
25 manufacturer shall pay in advance the costs of the examination and approval of a video
26 lottery machine or associated equipment. The department may contract with another
27 state or person for the examination required under this subsection.

28 (d) A video lottery machine manufacturer may distribute video lottery machines
29 and associated equipment only to a licensed video lottery machine distributor unless the
30 video lottery machine manufacturer is also a licensed video lottery machine distributor.

31 (e) A video lottery machine manufacturer shall report to the department by the
32 last business day of the month on each machine or associated equipment sold or

1 distributed within the state during the preceding month, including the serial number of
 2 each machine or associated equipment distributed and the name of the distributor to
 3 whom the machine or associated equipment was sold or distributed.

4 **Sec. 05.15.330. Video lottery machine distributors.** (a) A person may not
 5 distribute video lottery machines or associated equipment unless the person has received
 6 a video lottery machine distributor's license issued by the department.

7 (b) The department may issue a video lottery machine distributor's license to a
 8 person who pays an annual fee of \$5,000.

9 (c) Video lottery machines and associated equipment may be distributed only
 10 from a location in the state. A person may not distribute video lottery machines or
 11 associated equipment directly to another person in the state from a location outside of
 12 this state.

13 (d) A video lottery distributor shall report to the department by the last business
 14 day of each month on each video lottery machine and associated equipment distributed
 15 in the preceding month. The report must include the name of the permittee to whom
 16 each video lottery machine or associated equipment is distributed and the serial number
 17 of each machine.

18 (e) A distributor may not

19 (1) take an order for the purchase of a video lottery machine or
 20 associated equipment from a video lottery vendor; or

21 (2) sell a video lottery machine or associated equipment to a video lottery
 22 vendor.

23 **Sec. 05.15.340. Distribution of net income from video lottery charitable**
 24 **gaming.** The department shall immediately revoke the video lottery endorsement of a
 25 permittee or video lottery vendor that fails to pay the following percentages of net
 26 machine income from each video lottery machine at the times directed by the
 27 department:

28 (1) 30 percent to the video lottery vendor;

29 (2) 30 percent to the permittee;

30 (3) 15 percent to the state; and

31 (4) 25 percent to the municipality in which the machine is located, or to
 32 the state if the machine is located in the unorganized borough outside of municipalities.

1 **Sec. 05.15.350. Video lottery revenues may be appropriated for education.**

2 The state's percentage of video lottery charitable adjusted gross income received under
3 AS 05.15.340 shall be deposited in the general fund. The annual estimated balance in
4 the account maintained under AS 37.05.142 for money received under AS 05.15.340 may
5 be appropriated by the legislature to provide for education. Nothing in this section
6 creates a dedicated fund.

7 **Sec. 05.15.360. Department to contract.** The department, to the maximum
8 extent practicable, shall solicit bids and contract for the performance of duties required
9 to monitor and conduct video lottery charitable gaming when the contracting will not
10 jeopardize the integrity of the gaming and enforcement of the laws of the state.

11 * **Sec. 20.** AS 05.15.620(c) is amended to read:

12 (c) If a majority of the voters vote "yes" on the question set out in **(a), (b), or**
13 **(d)** [(a) OR (b)] of this section, the department shall be notified immediately after
14 certification of the results of the election and thereafter the department may not issue a
15 license, permit, or **pull-tab or video lottery** vendor registration authorizing charitable
16 gaming, **video lotteries**, or pull-tab sales, as appropriate, within the boundaries of a
17 municipality and in unincorporated areas within five miles of the boundaries of the
18 municipality or within the perimeter of an established village. As necessary to
19 implement the results of an election under **(a), (b), or (d)** [(a) OR (b)] of this section,
20 existing licenses, permits, and **pull-tab or video lottery** vendor registrations for
21 charitable gaming, **video lotteries**, or pull-tab sales within the boundaries of a
22 municipality and in unincorporated areas within five miles of the boundaries of the
23 municipality or within the perimeter of an established village are void 90 days after the
24 results of the election are certified. A license or **pull-tab or video lottery** vendor
25 registration that will expire during the 90 days after the results of a local option election
26 under this section are certified is void as of the expiration date.

27 * **Sec. 21.** AS 05.15.620 is amended by adding a new subsection to read:

28 (d) The following question, appearing alone, may be placed before the voters of
29 a municipality or an established village in accordance with AS 05.15.625: "Shall video
30 lotteries in (name of municipality or village) be prohibited? (yes or no)."

31 * **Sec. 22.** AS 05.15.680 is amended to read:

32 **Sec. 05.15.680. Penalties.** (a) **Except as provided in (c) of this section, a**

1 [A] person who knowingly violates or aids or solicits a person to violate this chapter
 2 is guilty of a violation for the first offense and a class B misdemeanor for the second
 3 and each subsequent offense.

4 (b) A person who, with the intent to mislead a public servant in the
 5 performance of the public servant's duty, submits a false statement in an application
 6 for a permit, license, or **pull-tab or video lottery** vendor registration under this
 7 chapter is guilty of unsworn falsification.

8 * **Sec. 23.** AS 05.15.680 is amended by adding new subsections to read:

9 (c) A person

10 (1) may not, with criminal negligence as that term is defined in
 11 AS 11.81.900, allow a person under 21 years of age to use a video lottery machine;

12 (2) who is under the age of 21 may not use a video lottery machine;

13 (3) may not manipulate or attempt to manipulate the outcome or payoff
 14 of a video lottery machine by tampering or otherwise interfering with the proper
 15 functioning of the machine.

16 (d) Violation of (c) of this section is a class A misdemeanor.

17 * **Sec. 24.** AS 05.15.690(36) is amended to read:

18 (36) "qualified organization" means a bona fide civic or service
 19 organization or a bona fide religious, charitable, fraternal, veterans, [LABOR,
 20 POLITICAL,] or educational organization, police or fire department and company, dog
 21 mushers' association, outboard motor association, or fishing derby or nonprofit trade
 22 association in the state, that operates without profits to its members and that has been
 23 in existence continually for a period of three years immediately before applying for a
 24 license; the organization may be a firm, corporation, company, association, or
 25 partnership;

26 * **Sec. 25.** AS 05.15.690(43) is amended to read:

27 (43) "**pull-tab** vendor" means a business whose primary activity is not
 28 regulated by this chapter but that

29 (A) is engaged in the sale of pull-tabs on behalf of a permittee;

30 (B) holds a business license under AS 43.70; and

31 (C) is an establishment holding a

1 (i) beverage dispensary license under AS 04.11.090 that
 2 has not been designated by the Alcoholic Beverage Control Board under
 3 AS 04.16.049(a)(2) - (3), has not been exempted by the Department of
 4 Labor under AS 04.16.049(c) and AS 23.10.355, and, if the
 5 establishment is a hotel, motel, resort, or similar business that caters to
 6 the traveling public as a substantial part of its business, does not allow
 7 the sale of pull-tabs in a dining room, banquet room, guest room, or
 8 other public areas other than a room in which there is regularly
 9 maintained a fixed counter or service bar at which alcoholic beverages
 10 are sold or served to members of the public for consumption;

11 (ii) package store license under AS 04.11.150;

12 * **Sec. 26.** AS 05.15.690 is amended by adding new paragraphs to read:

13 (45) "net machine income" means money put into a video lottery
 14 machine minus credits paid out in cash;

15 (46) "video lottery machine" means an electronic video game machine
 16 that upon insertion of coin or cash is able to play or simulate the play of a video
 17 game, including video poker, keno, or blackjack, authorized by the department using
 18 a video display and microprocessors in which, by chance, the player may receive free
 19 games or credits that can be redeemed for cash;

20 (47) "video lottery vendor" means a business whose primary activity
 21 is not regulated by this chapter but that

22 (A) conducts video lotteries on behalf of a permittee;

23 (B) holds a business license under AS 43.70; and

24 (C) is an establishment holding a

25 (i) beverage dispensary license under AS 04.11.090 that
 26 has not been designated by the Alcoholic Beverage Control Board under
 27 AS 04.16.049(a)(2) - (3), has not been exempted by the Department of
 28 Labor under AS 04.16.049(c) and AS 23.10.355, and if the
 29 establishment is a hotel, motel, resort, or similar business that caters to
 30 the traveling public as a substantial part of its business, does not
 31 conduct the video lotteries in a dining room, banquet room, guest room,

1 or other public areas other than a room in which there is regularly
 2 maintained a fixed counter or service bar at which alcoholic beverages
 3 are sold or served to members of the public for consumption;

4 (ii) package store license under AS 04.11.150.

5 * **Sec. 27.** AS 11.66.280(2) is amended to read:

6 (2) "gambling" means that a person stakes or risks something of value
 7 upon the outcome of a contest of chance or a future contingent event not under the
 8 person's control or influence, upon an agreement or understanding that that person or
 9 someone else will receive something of value in the event of a certain outcome;
 10 "gambling" does not include

11 (A) bona fide business transactions valid under the law of
 12 contracts for the purchase or sale at a future date of securities or commodities
 13 and agreements to compensate for loss caused by the happening of chance,
 14 including contracts of indemnity or guaranty and life, health, or accident
 15 insurance; or

16 (B) playing an amusement device that

17 (i) confers only an immediate right of replay not
 18 exchangeable for something of value other than the privilege of
 19 immediate replay; and

20 (ii) does not contain a method or device by which the
 21 privilege of immediate replay may be canceled or revoked;

22 (C) an activity authorized by the Department of Revenue under
 23 AS 05.15 or AS 19.65.035;

24 * **Sec. 28.** AS 11.66.280(3) is amended to read:

25 (3) "gambling device" means any device, machine, paraphernalia, or
 26 equipment that is used or usable in the playing phases of unlawful gambling, whether
 27 it consists of gambling between persons or gambling by a person involving the playing
 28 of a machine; "gambling device" does not include

29 (A) lottery tickets, policy slips, or other items used in the
 30 playing phases of lottery or policy schemes; [OR]

31 (B) an amusement device as described in (2)(B) of this section;

1 or

2 (C) a video lottery machine permitted by the commissioner
 3 of revenue under AS 05.15 or AS 19.65.035;

4 * **Sec. 29.** AS 11.66.280(4) is amended to read:

5 (4) "gambling enterprise" means a gambling business that

6 (A) includes five or more persons who conduct, finance,
 7 manage, supervise, direct, or own all or part of the business;

8 (B) has been or remains in substantially continuous operation
 9 for a period in excess of 30 days or has a gross income of \$2,000 or more in
 10 any single day; and

11 (C) is not a

12 (i) vessel of the Alaska marine highway system or the
 13 Department of Transportation and Public Facilities when they are
 14 lawfully conducting an activity licensed under AS 19.65.035; or

15 (ii) municipality or a qualified organization under
 16 AS 05.15.690, except that, for purposes of this paragraph, no
 17 application for a license under AS 05.15 is required to be considered a
 18 qualified organization;

19 * **Sec. 30.** AS 19.65 is amended by adding new sections to article 1 to read:

20 **Sec. 19.65.035. Video lottery machines authorized.** (a) The Department of
 21 Revenue may license a vessel of the Alaska marine highway system to operate video
 22 lottery machines in a portion of the vessel that persons under 21 years of age are
 23 prohibited from entering.

24 (b) A license issued under (a) of this section is not valid when the vessel is
 25 in a jurisdiction outside of the state unless that jurisdiction also allows the licensed
 26 activity.

27 (c) The Department of Transportation and Public Facilities shall operate video
 28 lottery machines aboard a vessel of the Alaska marine highway system licensed under
 29 (a) of this section or may contract for their operation under AS 36.30.

30 (d) The commissioner of revenue shall adopt regulations under AS 44.62
 31 (Administrative Procedure Act) to implement this section. Those regulations must be

1 consistent, to the extent practicable, with statutes or regulations governing video
2 lotteries and video lottery machines under AS 05.15.

3 **Sec. 19.65.040. Prohibitions on video lottery machine operation; penalties.**

4 (a) An employee of the Alaska marine highway system or of a contractor under
5 AS 19.65.035(c) may not with criminal negligence allow a person under 21 years of
6 age to use a video lottery machine authorized under AS 19.65.035. A person under
7 21 years of age may not use a video lottery machine authorized under AS 19.65.035.
8 In this subsection, "criminal negligence" has the meaning given in AS 11.81.900.

9 (b) A person may not manipulate or attempt to manipulate the outcome or
10 payoff of a video lottery machine authorized under AS 19.65.035 by tampering or
11 otherwise interfering with the proper functioning of the machine.

12 (c) Violation of this section is a class A misdemeanor.

13 **Sec. 19.65.045. Revenues to general fund; appropriation for Alaska marine**
14 **highway system.** Revenues from video lottery machines, less prizes awarded, shall
15 be deposited in the general fund. The legislature may appropriate the annual estimated
16 balance in the account maintained under AS 37.05.142 for revenues deposited under
17 this section for the Alaska marine highway system. Nothing in this section creates
18 a dedicated fund.

19 **Sec. 19.65.050. Definition for AS 19.65.035 - 19.65.050.** In AS 19.65.035 -
20 19.65.050, "video lottery machine" has the meaning given in AS 05.15.690.

21 * **Sec. 31.** Section 4, ch. 13, SLA 1995, is repealed and reenacted to read:

22 Sec. 4. AS 05.15.115(c) is repealed and reenacted to read:

23 (c) A permittee may not contract with more than one operator at a time to
24 conduct the same type of activity. For the purposes of this subsection, bingo games,
25 raffles, lotteries, pull-tab games, ice classics, rain classics, goose classics, mercury
26 classics, canned salmon classics, salmon classics, king salmon classics, deep freeze
27 classics, dog mushers' contests, snow machine classics, fish derbies, contests of skill,
28 and all activities permitted under AS 05.15.100(b) are each a different type of activity.

29 A permittee may not contract with an operator to conduct video lotteries.

30 * **Sec. 32.** Section 6, ch. 13, SLA 1995, is repealed and reenacted to read:

31 Sec. 6. AS 05.15.180(b) is repealed and reenacted to read:

1 (b) With the exception of raffles, lotteries, bingo games, video lotteries, pull-
2 tab games, rain classics, goose classics, mercury classics, deep freeze classics, snow
3 machine classics, canned salmon classics, salmon classics, king salmon classics, and
4 other activities authorized under AS 05.15.100(b), an activity may not be licensed
5 under this chapter unless it existed in the state in substantially the same form and was
6 conducted in substantially the same manner before January 1, 1959.

7 * **Sec. 33.** AS 05.15.690(25) and 05.15.690(34), are repealed.

8 * **Sec. 34.** Notwithstanding the effective date of secs. 1 - 33 of this Act, the Department
9 of Revenue shall begin the process under AS 44.62 of adopting regulations to implement this
10 Act so that the regulations can take effect January 1, 1998, or as soon thereafter as is possible.

11 * **Sec. 35.** Except for sec. 34 of this Act, this Act takes effect January 1, 1998.

12 * **Sec. 36.** Section 34 of this Act takes effect immediately under AS 01.10.070(c).