

CS FOR SENATE BILL NO. 199(JUD)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - SECOND SESSION

BY THE SENATE JUDICIARY COMMITTEE

Offered: 2/5/98

Referred: Finance

Sponsor(s): SENATE JUDICIARY COMMITTEE BY REQUEST

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 05.15.070 is amended to read:

5 **Sec. 05.15.070. Examination of books and records.** The department may
6 examine or have examined the books and records of a permittee, an operator, a
7 registered vendor, or a person licensed to manufacture or to distribute **video lottery**
8 **machines** [PULL-TAB GAMES] in the state. The department may issue subpoenas
9 for the attendance of witnesses and the production of books, records, and other
10 documents.

11 * **Sec. 2.** AS 05.15.095(a) is amended to read:

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

- 1 (1) the member in charge for the qualified organization;
- 2 (2) a person authorized to sign on behalf of the municipality;
- 3 (3) the operator or the operator's agent;
- 4 (4) the licensed video lottery machine [PULL-TAB] distributor or the
- 5 distributor's agent; [OR]
- 6 (5) the licensed video lottery machine [PULL-TAB] manufacturer or
- 7 the manufacturer's agent; or
- 8 **(6) the registered vendor or the vendor's agent.**

9 * **Sec. 3.** AS 05.15.100(a) is amended to read:

10 (a) The department may issue a permit to a municipality or qualified

11 organization. The permit gives the municipality or qualified organization the privilege

12 of conducting bingo, raffles, [AND] lotteries, [PULL-TAB GAMES,] ice classics, race

13 classics, rain classics, goose classics, mercury classics, deep freeze classics, mushing

14 sweepstakes, canned salmon classics, salmon classics, king salmon classics, dog

15 mushers' contests, snow machine classics, fish derbies, and contests of skill.

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

17 (e) The department may issue a permit to a municipality or qualified

18 organization to conduct video lotteries through the use of video lottery machines by

19 registered vendors.

20 * **Sec. 5.** AS 05.15.115(c) is amended to read:

21 (c) A permittee may not contract with more than one operator at a time to

22 conduct the same type of activity. For the purposes of this subsection, bingo games,

23 raffles, lotteries, [PULL-TAB GAMES,] ice classics, race classics, rain classics, goose

24 classics, mercury classics, deep freeze classics, mushing sweepstakes, canned salmon

25 classics, salmon classics, king salmon classics, dog mushers' contests, snow machine

26 classics, fish derbies, and contests of skill are each a different type of activity. **A**

27 **permittee may not contract with an operator to conduct video lotteries.**

28 * **Sec. 6.** AS 05.15.128(a) is amended to read:

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

30 (1) report an adjusted gross income of at least 15 percent of gross

31 income annually based on the total operation of the operator; or

1 (2) pay to each authorizing permittee annually at least [30 PERCENT
 2 OF THE ADJUSTED GROSS INCOME, AS DETERMINED UNDER (1) OF THIS
 3 SUBSECTION, FROM A PULL-TAB ACTIVITY OR AT LEAST] 10 percent of the
 4 adjusted gross income, as determined under (1) of this subsection, [FROM A
 5 GAMING ACTIVITY OTHER THAN PULL-TABS,] received from activities
 6 conducted on behalf of the authorizing permittee.

7 * **Sec. 7.** AS 05.15.150(a) is amended to read:

8 (a) The authority to conduct the activity authorized by this chapter is contingent
 9 upon the dedication of the net proceeds **and the permittee's share of net machine**
 10 **income** of a [THE] charitable gaming activity to the awarding of prizes to contestants
 11 or participants and to [POLITICAL,] educational, civic, public, charitable, patriotic, or
 12 religious uses in the state. "**Educational** [POLITICAL, EDUCATIONAL], civic, public,
 13 charitable, patriotic, or religious uses" means uses benefiting persons either by bringing
 14 them under the influence of education or religion or relieving them from disease,
 15 suffering, or constraint, or by assisting them in establishing themselves in life, or by
 16 providing for the promotion of the welfare and well-being of the membership of the
 17 organization within their own community, [OR THROUGH AIDING CANDIDATES
 18 FOR PUBLIC OFFICE OR GROUPS THAT SUPPORT CANDIDATES FOR PUBLIC
 19 OFFICE,] or by erecting or maintaining public buildings or works, or lessening the
 20 burden on government, but does not include

21 (1) the direct or indirect payment of any portion of the net proceeds of
 22 a bingo **game** or **the permittee's share of the net machine income of a video lottery**
 23 [PULL-TAB GAME] to a lobbyist registered under AS 24.45;

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

27 (3) the direct or indirect payment of any portion of the net proceeds **or**
 28 **a permittee's share of a net machine income** of a charitable gaming activity, except
 29 the proceeds of a raffle and lottery,

30 (A) to aid candidates for public office or groups that support or
 31 oppose candidates for public office;

32 (B) to a political party or to an organization affiliated with a

1 political party; or
 2 (C) to a group, as that term is defined in AS 15.13.400, or a
 3 political group, as that term is defined in AS 15.60, that seeks to influence the
 4 outcome of an election.

5 * **Sec. 8.** AS 05.15.160(d) is amended to read:

6 (d) The total amount of authorized expenses that may be incurred under (a) of
 7 this section in connection with any gaming activity other than **video lotteries** [PULL-
 8 TABS] may not exceed 90 percent of the adjusted gross income from that gaming
 9 activity.

10 * **Sec. 9.** AS 05.15.180(a) is amended to read:

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

16 * **Sec. 10.** AS 05.15.180(b) is amended to read:

17 (b) With the exception of raffles, lotteries, bingo games, **video lotteries** [PULL-
 18 TAB GAMES], race classics, rain classics, goose classics, mercury classics, deep freeze
 19 classics, snow machine classics, mushing sweepstakes, canned salmon classics, salmon
 20 classics, and king salmon classics, an activity may not be licensed under this chapter
 21 unless it existed in the state in substantially the same form and was conducted in
 22 substantially the same manner before January 1, 1959. A snow machine classic may not
 23 be licensed under this chapter unless it has been in existence for at least five years before
 24 the licensing.

25 * **Sec. 11.** AS 05.15.180(g) is amended to read:

26 (g) A municipality or a qualified organization may award a maximum of
 27 \$1,000,000 in prizes each year in activities authorized under this chapter; however, if a
 28 municipality or a qualified organization contracts with an operator to conduct on its
 29 behalf activities authorized under this chapter, the municipality or qualified organization
 30 may award a maximum of \$500,000 in prizes each year. The holders of a
 31 multiple-beneficiary permit under AS 05.15.100(d) may award a maximum in prizes each
 32 year of \$1,000,000 times the number of holders of the permit for activities authorized

1 under this chapter. In this subsection, "activities authorized under this chapter" means
 2 all activities subject to this chapter other than bingo **and video lotteries**.

3 * **Sec. 12.** AS 05.15 is amended by adding new sections to read:

4 **Article 2A. Video Lotteries.**

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

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

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

12 (b) To obtain a video lottery endorsement under

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

18 (2) (a)(2) of this section, the permittee shall submit proof of the club
 19 license to the department and submit a fee of \$100 for each licensed location and a fee
 20 of \$100 for each video lottery machine the permittee will operate at each location.

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

29 (d) A separate endorsement shall be issued for each permittee or vendor location.
 30 The permittee shall inform the department when the permittee, or a vendor with whom
 31 the permittee is contracting, changes the physical location at which video lottery
 32 charitable gaming is conducted and shall return to the department all copies of a permit

1 endorsed to a permittee, or a vendor, that is no longer conducting video lottery charitable
 2 gaming. Failure to inform the department of a change in permittee or vendor location,
 3 or to return the endorsed copies of a permit to the department after a permittee or vendor
 4 change, constitutes grounds for the suspension or revocation of a permittee's permit.

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

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

16 (g) Only video lottery machines approved by the department may be used for
 17 video lottery charitable gaming. A permittee may purchase the machines directly from
 18 a licensed video lottery machine distributor or may enter into a lease or lease-purchase
 19 arrangement for the machines with the distributor. A lease or lease-purchase
 20 arrangement must be approved by the department.

21 (h) If a permittee

22 (1) contracts with a vendor under (a)(1) of this section, the contract must
 23 provide that the

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

25 (B) registered vendor shall receive 30 percent of the net machine
 26 income;

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

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

31 (2) conducts video lottery charitable gaming under (a)(2) of this section,
 32 the permittee must remit the percentages of net machine income under (1) of this

1 subsection to the state and municipality, if any, at times set by the department by
2 regulation.

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

6 (j) A video lottery machine may

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

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

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

11 (k) A permittee may not contract with more than five vendors under this section.

12 A vendor may not have more than 10 video lottery machines at each vendor location.

13 (l) All video lottery machines shall be monitored by the vendor during business
14 hours. Monitoring shall be accomplished by the physical presence of an employee of the
15 vendor or by an employee using video cameras or mirrors and by periodic personal
16 inspections of the machines and the area in which the machines are located.

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

20 (n) If the sale of alcoholic beverages has been prohibited within a municipality
21 under AS 04.11.491, the department may issue a video lottery endorsement to a permittee
22 within the municipality that provides the permittee with the authority to conduct video
23 lottery charitable gaming by use of video lottery machines in the manner permittees with
24 club licenses under AS 04.11.110 are authorized to conduct video lottery charitable
25 gaming if the video lottery charitable gaming is only conducted within a location into
26 which the access is restricted to persons 21 years of age or older.

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

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

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

32 (3) is designed to accept coins or cash in the form of bills, to prevent the

1 obtaining of plays or credits without paying by stringing, slamming, drilling, or other
2 means of manipulation, and to suspend itself from operation until it is physically reset
3 if physically tampered with;

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

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

14 (6) has accounting software that keeps an electronic record that includes
15 total money inserted into the machine, the value of winning tickets claimed by players,
16 the total video lottery credits awarded by a video lottery game, and the payback
17 percentages credited players of each video lottery game;

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

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

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

29 **Sec. 05.15.320. Video lottery machine manufacturers.** (a) A person may not
30 manufacture video lottery machines or associated equipment in the state, and may not
31 sell or distribute a video lottery machine or associated equipment that the person has
32 manufactured outside of the state to persons in the state, unless the person has received

1 a video lottery manufacturer's license issued by the department.

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

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

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

14 (e) A video lottery machine manufacturer shall report to the department by the
15 last business day of the month on each machine or associated equipment sold or
16 distributed within the state during the preceding month, including the serial number of
17 each machine or associated equipment distributed and the name of the distributor to
18 whom the machine or associated equipment was sold or distributed.

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

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

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

28 (d) A video lottery distributor shall report to the department by the last business
29 day of each month on each video lottery machine and associated equipment distributed
30 in the preceding month. The report must include the name of the permittee to whom
31 each video lottery machine or associated equipment is distributed and the serial number
32 of each machine.

1 (e) A distributor may not
 2 (1) take an order for the purchase of a video lottery machine or
 3 associated equipment from a vendor; or

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

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

9 (1) 30 percent to the vendor;

10 (2) 30 percent to the permittee;

11 (3) 15 percent to the state; and

12 (4) 25 percent to the municipality in which the machine is located, or to
 13 the state if the machine is located in the unorganized borough outside of municipalities.

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

15 The state's percentage of video lottery net machine income received under AS 05.15.340
 16 shall be deposited in the general fund. The annual estimated balance in the account
 17 maintained under AS 37.05.142 for money received under AS 05.15.340 may be
 18 appropriated by the legislature to provide for education. Nothing in this section creates
 19 a dedicated fund.

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

24 * **Sec. 13.** AS 05.15.620(b) is amended to read:

25 (b) The following question, appearing alone, may be placed before the voters of
 26 a municipality or an established village in accordance with AS 05.15.625: "Shall **video**
 27 **lotteries** [PULL-TAB SALES] in (name of municipality or village) be
 28 prohibited? (yes or no)."

29 * **Sec. 14.** AS 05.15.620(c) is amended to read:

30 (c) If a majority of the voters vote "yes" on the question set out in (a) or (b) of
 31 this section, the department shall be notified immediately after certification of the results
 32 of the election and thereafter the department may not issue a license, permit, or vendor

1 registration authorizing charitable gaming or **video lotteries** [PULL-TAB SALES], as
 2 appropriate, within the boundaries of a municipality and in unincorporated areas within
 3 five miles of the boundaries of the municipality or within the perimeter of an established
 4 village. As necessary to implement the results of an election under (a) or (b) of this
 5 section, existing licenses, permits, and vendor registrations for charitable gaming or **video**
 6 **lotteries** [PULL-TAB SALES] within the boundaries of a municipality and in
 7 unincorporated areas within five miles of the boundaries of the municipality or within
 8 the perimeter of an established village are void 90 days after the results of the election
 9 are certified. A license or vendor registration that will expire during the 90 days after
 10 the results of a local option election under this section are certified is void as of the
 11 expiration date.

12 * **Sec. 15.** AS 05.15.680(a) is amended to read:

13 (a) **Except as provided in (c) of this section, a** [A] person who knowingly
 14 violates or aids or solicits a person to violate this chapter is guilty of a violation for
 15 the first offense and a class B misdemeanor for the second and each subsequent
 16 offense.

17 * **Sec. 16.** AS 05.15.680 is amended by adding new subsections to read:

18 (c) A person

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

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

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

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

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

27 (36) "qualified organization" means a bona fide civic or service
 28 organization or a bona fide religious, charitable, fraternal, veterans, [LABOR,
 29 POLITICAL,] or educational organization, police or fire department and company, dog
 30 mushers' association, outboard motor association, or fishing derby or nonprofit trade
 31 association in the state, that operates without profits to its members and that has been
 32 in existence continually for a period of three years immediately before applying for a

1 license; the organization may be a firm, corporation, company, association, or
2 partnership;

3 * **Sec. 18.** AS 05.15.690(44) is amended to read:

4 (44) "vendor" means a business whose primary activity is not regulated
5 by this chapter but that

6 (A) **conducts video lotteries** [IS ENGAGED IN THE SALE
7 OF PULL-TABS] on behalf of a permittee;

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

9 (C) is an establishment holding a

10 (i) beverage dispensary license under AS 04.11.090 that
11 has not been designated by the Alcoholic Beverage Control Board under
12 AS 04.16.049(a)(2) - (3), has not been exempted by the Department of
13 Labor under AS 04.16.049(c) and AS 23.10.355, and, if the
14 establishment is a hotel, motel, resort, or similar business that caters to
15 the traveling public as a substantial part of its business, does not
16 **conduct the video lotteries** [ALLOW THE SALE OF PULL-TABS]
17 in a dining room, banquet room, guest room, or other public areas other
18 than a room in which there is regularly maintained a fixed counter or
19 service bar at which alcoholic beverages are sold or served to members
20 of the public for consumption;

21 (ii) package store license under AS 04.11.150;

22 * **Sec. 19.** AS 05.15.690 is amended by adding new paragraphs to read:

23 (46) "net machine income" means money put into a video lottery
24 machine minus credits paid out in cash;

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

30 * **Sec. 20.** AS 11.66.280(2) is amended to read:

31 (2) "gambling" means that a person stakes or risks something of value

1 upon the outcome of a contest of chance or a future contingent event not under the
 2 person's control or influence, upon an agreement or understanding that that person or
 3 someone else will receive something of value in the event of a certain outcome;
 4 "gambling" does not include

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

10 (B) playing an amusement device that

11 (i) confers only an immediate right of replay not
 12 exchangeable for something of value other than the privilege of
 13 immediate replay; and

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

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

18 * **Sec. 21.** AS 11.66.280(3) is amended to read:

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

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

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

26 or

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

29 * **Sec. 22.** AS 11.66.280(4) is amended to read:

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

31 (A) includes five or more persons who conduct, finance,

1 manage, supervise, direct, or own all or part of the business;

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

5 (C) is not a

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

9 (ii) municipality or a qualified organization under
10 AS 05.15.690, except that, for purposes of this paragraph, no
11 application for a license under AS 05.15 is required to be considered a
12 qualified organization;

13 * **Sec. 23.** AS 19.65 is amended by adding new sections to article 1 to read:

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

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

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

24 (d) The commissioner of revenue shall adopt regulations under AS 44.62
25 (Administrative Procedure Act) to implement this section. Those regulations must be
26 consistent, to the extent practicable, with statutes or regulations governing video
27 lotteries and video lottery machines under AS 05.15.

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

29 (a) An employee of the Alaska marine highway system or of a contractor under
30 AS 19.65.035(c) may not with criminal negligence allow a person under 21 years of
31 age to use a video lottery machine authorized under AS 19.65.035. A person under

1 21 years of age may not use a video lottery machine authorized under AS 19.65.035.

2 In this subsection, "criminal negligence" has the meaning given in AS 11.81.900.

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

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

7 **Sec. 19.65.045. Revenues to general fund; appropriation for Alaska marine**
8 **highway system.** Revenues from video lottery machines, less prizes awarded, shall
9 be deposited in the general fund. The legislature may appropriate the annual estimated
10 balance in the account maintained under AS 37.05.142 for revenues deposited under
11 this section for the Alaska marine highway system. Nothing in this section creates
12 a dedicated fund.

13 **Sec. 19.65.050. Definition for AS 19.65.035 - 19.65.050.** In AS 19.65.035 -
14 19.65.050, "video lottery machine" has the meaning given in AS 05.15.690.

15 * **Sec. 24.** Section 2, ch. 13, SLA 1995, as repealed and reenacted by sec. 6, ch. 41, SLA
16 1997, is repealed and reenacted to read:

17 Sec. 2. AS 05.15.100(a) is repealed and reenacted to read:

18 (a) The department may issue a permit to a municipality or qualified
19 organization. The permit gives the municipality or qualified organization the privilege
20 of conducting bingo, raffles, lotteries, ice classics, race classics, rain classics, goose
21 classics, mercury classics, deep freeze classics, canned salmon classics, salmon
22 classics, king salmon classics, dog mushers' contests, snow machine classics, fish
23 derbies, and contests of skill.

24 * **Sec. 25.** Section 4, ch. 13, SLA 1995, as repealed and reenacted by sec. 7, ch. 41, SLA
25 1997, is repealed and reenacted to read:

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

27 (c) A permittee may not contract with more than one operator at a time to
28 conduct the same type of activity. For the purposes of this subsection, bingo games,
29 raffles, lotteries, ice classics, race classics, rain classics, goose classics, mercury
30 classics, canned salmon classics, salmon classics, king salmon classics, deep freeze
31 classics, dog mushers' contests, snow machine classics, fish derbies, contests of skill,

1 and all activities permitted under AS 05.15.100(b) are each a different type of activity.

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

3 * **Sec. 26.** Section 6, ch. 13, SLA 1995, as repealed and reenacted by sec. 8, ch. 41, SLA
4 1997, is repealed and reenacted to read:

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

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

12 * **Sec. 27.** AS 05.15.060(b), 05.15.160(c), 05.15.170(a)(5), 05.15.181, 05.15.183, 05.15.184,
13 05.15.185, 05.15.187, 05.15.188, 05.15.690(23), 05.15.690(25), 05.15.690(34), 05.15.690(35),
14 and 05.15.690(42) are repealed.

15 * **Sec. 28.** Notwithstanding the effective date of secs. 1 - 27 of this Act, the Department
16 of Revenue shall begin the process under AS 44.62 of adopting regulations to implement this
17 Act so that the regulations can take effect January 1, 1999, or as soon thereafter as is possible.

18 * **Sec. 29.** Except for sec. 28 of this Act, this Act takes effect January 1, 1999.

19 * **Sec. 30.** Section 28 of this Act takes effect immediately under AS 01.10.070(c).