

HOUSE BILL NO. 182

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - FIRST SESSION

BY REPRESENTATIVE KOTT

Introduced: 4/8/99

Referred: Transportation, 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 05.15.020(b) is amended to read:

5 (b) An additional fee of one percent of the net proceeds received during the
6 preceding year from the activities authorized under the permit shall be paid to the
7 department annually by the municipality or qualified organization authorized to
8 conduct activities under this chapter, if the gross receipts for the activities were
9 \$20,000 or more. **In this subsection, "activities authorized under the permit" does**
10 **not include activities conducted under an endorsement issued to a permittee under**
11 **AS 05.15.300.**

12 * **Sec. 2.** AS 05.15.060(a) is amended to read:

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

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

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

8 (3) the immediate revocation of permits, licenses, and **pull-tab and**
9 **video lottery** vendor registrations authorized under this chapter if this chapter or
10 regulations adopted under it are violated;

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

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

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

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

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

29 (9) the disposition of funds in possession of a permittee, a person,
30 municipality, or qualified organization that possesses an operator's license, or a
31 registered **pull-tab or video lottery** vendor at the time a permit, a license, or a **pull-**

1 **tab or video lottery** vendor registration is surrendered, revoked, or invalidated;

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

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

7 * **Sec. 3.** AS 05.15.070 is amended to read:

8 **Sec. 05.15.070. Examination of books and records.** The department may
9 examine or have examined the books and records of a permittee, an operator, a
10 registered **pull-tab or video lottery** vendor, or a person licensed to manufacture or to
11 distribute **video lottery machines or** pull-tab games in the state. The department may
12 issue subpoenas for the attendance of witnesses and the production of books, records,
13 and other documents.

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

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

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

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

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

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

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

23 **(6) the licensed video lottery machine distributor or the**
24 **distributor's agent;**

25 **(7) the licensed video lottery machine manufacturer or the**
26 **manufacturer's agent;**

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

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

29 * **Sec. 5.** AS 05.15.100 is amended by adding a new subsection to read:

30 (e) The department may issue a permit to a municipality or qualified
31 organization to conduct video lotteries through the use of video lottery machines.

1 * **Sec. 6.** AS 05.15.105(a) is amended to read:

2 (a) If a person has been convicted of a violation of a law of this state that is,
3 or a law or ordinance of another jurisdiction that would be if it had been committed
4 in this state, a felony, or a violation of a law or ordinance of this state or another
5 jurisdiction that is a crime involving theft or dishonesty or a violation of gambling
6 laws

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

8 (2) the department may not issue a license to, or register as a **pull-tab**
9 **or video lottery** vendor, an applicant who employs the person in a managerial or
10 supervisory capacity or uses the person as a fund raiser or consultant;

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

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

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

18 * **Sec. 7.** AS 05.15.115(c) is amended to read:

19 (c) A permittee may not contract with more than one operator at a time to
20 conduct the same type of activity. For the purposes of this subsection, bingo games,
21 raffles, lotteries, pull-tab games, ice classics, race classics, rain classics, goose classics,
22 mercury classics, deep freeze classics, mushing sweepstakes, canned salmon classics,
23 salmon classics, king salmon classics, dog mushers' contests, snow machine classics,
24 fish derbies, and contests of skill are each a different type of activity. **Except as**
25 **authorized under AS 05.15.300, a permittee may not contract with an operator to**
26 **conduct video lotteries.**

27 * **Sec. 8.** AS 05.15.124 is amended to read:

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

31 * **Sec. 9.** AS 05.15.128(a) is amended to read:

- 1 (a) The department shall revoke the license of an operator who does not
 2 (1) report an adjusted gross income of at least 15 percent of gross
 3 income annually based on the total operation of the operator; or
 4 (2) pay to each authorizing permittee annually at least 30 percent of the
 5 adjusted gross income, as determined under (1) of this subsection, from a pull-tab
 6 activity or at least 10 percent of the adjusted gross income, as determined under (1)
 7 of this subsection, from a gaming activity other than **video lotteries and** pull-tabs,
 8 received from activities conducted on behalf of the authorizing permittee.

9 * **Sec. 10.** AS 05.15.150(a) is amended to read:

- 10 (a) The authority to conduct the activity authorized by this chapter is contingent
 11 upon the dedication of the net proceeds of the charitable gaming activity to the awarding
 12 of prizes to contestants or participants and to [POLITICAL,] educational, civic, public,
 13 charitable, patriotic, or religious uses in the state. "**Educational** [POLITICAL,
 14 EDUCATIONAL], civic, public, charitable, patriotic, or religious uses" means uses
 15 benefiting persons either by bringing them under the influence of education or religion
 16 or relieving them from disease, suffering, or constraint, or by assisting them in
 17 establishing themselves in life, or by providing for the promotion of the welfare and
 18 well-being of the membership of the organization within their own community, [OR
 19 THROUGH AIDING CANDIDATES FOR PUBLIC OFFICE OR GROUPS THAT
 20 SUPPORT CANDIDATES FOR PUBLIC OFFICE,] or by erecting or maintaining public
 21 buildings or works, or lessening the burden on government, but does not include
 22 (1) the direct or indirect payment of any portion of the net proceeds of
 23 a bingo, **video lottery**, or 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 of
 28 a charitable gaming activity, except the proceeds of a raffle and lottery,
 29 (A) to aid candidates for public office or groups that support or
 30 oppose candidates for public office;
 31 (B) to a political party or to an organization affiliated with a
 32 political party; or

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

4 * **Sec. 11.** AS 05.15.160(d) is amended to read:

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

9 * **Sec. 12.** AS 05.15.170 is amended to read:

10 **Sec. 05.15.170. Suspension or revocation of permit, license, or vendor**
 11 **registration.** (a) The department may suspend, for a period of up to one year, or
 12 revoke a permit, license, or **pull-tab or video lottery** vendor registration, after giving
 13 notice to and an opportunity to be heard by the permittee or licensee, if the permittee,
 14 licensee, or **pull-tab or video lottery** vendor

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

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

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

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

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

29 (b) If the department revokes a license or **pull-tab or video lottery** vendor
 30 registration under this section, it may prohibit the licensee or **pull-tab or video lottery**
 31 vendor from reapplying for a license or **pull-tab or video lottery** vendor registration for
 32 a period of not more than five years. If the department revokes a permit under this

1 section, it may prohibit the permittee from reapplying for a permit for a period of not
2 more than one year.

3 * **Sec. 13.** AS 05.15.180(a) is amended to read:

4 (a) **Except as provided in AS 05.15.187 or 05.15.300 - 05.15.360, this** [THIS]
5 chapter does not authorize the use of playing cards, dice, roulette wheels, coin-operated
6 instruments or machines, or other objects or instruments used, designed, or intended
7 primarily for gaming or gambling or any other method or implement not expressly
8 authorized by the department.

9 * **Sec. 14.** AS 05.15.180(b) is amended to read:

10 (b) With the exception of raffles, lotteries, bingo games, **video lotteries**, pull-tab
11 games, race classics, rain classics, goose classics, mercury classics, deep freeze classics,
12 snow machine classics, mushing sweepstakes, canned salmon classics, salmon classics,
13 king salmon classics, an activity may not be licensed under this chapter unless it existed
14 in the state in substantially the same form and was conducted in substantially the same
15 manner before January 1, 1959. A snow machine classic may not be licensed under this
16 chapter unless it has been in existence for at least five years before the licensing.

17 * **Sec. 15.** AS 05.15.180(g) is amended to read:

18 (g) A municipality or a qualified organization may award a maximum of
19 \$1,000,000 in prizes each year in activities authorized under this chapter; however, if a
20 municipality or a qualified organization contracts with an operator to conduct on its
21 behalf activities authorized under this chapter, the municipality or qualified organization
22 may award a maximum of \$500,000 in prizes each year. The holders of a
23 multiple-beneficiary permit under AS 05.15.100(d) may award a maximum in prizes each
24 year of \$1,000,000 times the number of holders of the permit for activities authorized
25 under this chapter. In this subsection, "activities authorized under this chapter" means
26 all activities subject to this chapter other than bingo **and video lotteries**.

27 * **Sec. 16.** AS 05.15.183(e) is amended to read:

28 (e) A distributor may not

- 29 (1) take an order for the purchase of a pull-tab series from a **pull-tab**
30 vendor;
31 (2) sell a pull-tab series to a **pull-tab** vendor; or
32 (3) deliver a pull-tab series to a **pull-tab** vendor.

1 * **Sec. 17.** AS 05.15.187(h) is amended to read:

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

6 * **Sec. 18.** AS 05.15.187(i) is amended to read:

7 (i) A permittee, operator, or registered **pull-tab** vendor may not turn over a prize
8 of \$50 or more to a person with a pull-tab card entitling the person to that prize unless
9 the person signs **the pull-tab** [A RECEIPT FOR THE PRIZE] and returns the **pull-tab**
10 [RECEIPT] to the permittee, operator, or **pull-tab** vendor. [THE RECEIPT MUST BE
11 IN A FORM APPROVED BY THE DEPARTMENT.]

12 * **Sec. 19.** AS 05.15.187 is amended by adding a new subsection to read:

13 (j) The department may approve the use of coin-operated machines for the sale
14 of pull-tabs.

15 * **Sec. 20.** AS 05.15.188 is amended to read:

16 **Sec. 05.15.188. Pull-tab sales by pull-tab vendors on behalf of permittees;**
17 **pull-tab vendor registration.** (a) A permittee may contract with a **pull-tab** vendor
18 to sell pull-tabs on behalf of the permittee [,] if the permittee first registers the **pull-**
19 **tab** vendor with the department by applying for registration on a form prescribed by
20 the department and by submitting the registration fee of \$50 for each location at which
21 the **pull-tab** vendor will sell pull-tabs.

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

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

31 (d) A separate endorsement shall be issued for each **pull-tab** vendor location.
32 The permittee shall inform the department when a **pull-tab** vendor with whom the

1 permittee is contracting changes the physical location at which pull-tabs are sold, and
2 shall return to the department all copies of a permit endorsed to a **pull-tab** vendor that
3 is no longer selling pull-tabs on behalf of the permittee. Failure to inform the
4 department of a change in **pull-tab** vendor location, or to return the endorsed copies
5 of a permit to the department after a **pull-tab** vendor change, may constitute grounds
6 for the suspension or revocation of a permittee's permit.

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

11 (f) A permittee that uses a **pull-tab** vendor to sell pull-tabs on its behalf shall
12 enter into a written contract with that **pull-tab** vendor. The department may inspect
13 this contract. If the contract contains provisions that violate this chapter or the
14 regulations adopted under it, the department may declare the contract void, and may
15 suspend or revoke the registration of the **pull-tab** vendor and the permit of the
16 permittee.

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

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

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

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

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

1 * **Sec. 21.** AS 05.15 is amended by adding new sections to read:

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

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

6 (1) conduct video lotteries by use of video lottery machines at a
7 location where the permittee directly sells pull-tabs or conducts bingo sessions;

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

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

13 (b) To obtain a video lottery endorsement under

14 (1) (a)(1) of this section, a permittee shall identify

15 (A) the locations where the permittee directly sells pull-tabs or
16 conducts bingo sessions and where the permittee intends to install video lottery
17 machines; and

18 (B) the number of video lottery machines the permittee will
19 have at each location;

20 (2) (a)(2) of this section, a permittee shall register the video lottery
21 vendor with the department by applying for registration on a form prescribed by the
22 department and identify

23 (A) the locations of the video lottery machines; and

24 (B) the number of video lottery machines the permittee will
25 have at each location;

26 (3) (a)(3) of this section, the permittee shall submit proof of the club
27 license to the department and identify

28 (A) the location of the club; and

29 (B) the number of video lottery machines the permittee will
30 have at the club.

31 (c) A permittee issued an endorsement to conduct video lotteries under

1 (1) (a)(1) of this section may not be issued an endorsement under (a)(2)
2 or (3) of this section;

3 (2) (a)(2) of this section may not be issued an endorsement under
4 (a)(1) or (3) of this section;

5 (3) (a)(3) of this section may not be issued an endorsement under (a)(1)
6 or (2) of this section.

7 (d) The endorsement issued under (a) of this section is an extension of the
8 permittee's privilege to conduct charitable gaming in this state. In addition to the
9 endorsement, the department shall issue a machine permit for each video lottery
10 machine the permittee has identified under (b) of this section. A permittee or
11 registered video lottery vendor may not conduct video lottery charitable gaming until
12 a copy of the permit and the endorsement is posted by the permittee at the
13 establishment where the machine is located and the machine permit is posted on the
14 machine. The permit, endorsement, and each machine permit must be clearly visible
15 to the public.

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

25 (f) At the time that a permittee annually renews its permit, the permittee shall
26 also renew the registration of all locations where the permittee or a video lottery
27 vendor is conducting video lottery charitable gaming.

28 (g) A permittee that uses a video lottery vendor to conduct video lottery
29 charitable gaming on its behalf shall enter into a written contract with that video
30 lottery vendor. The department may inspect this contract. If the contract contains
31 provisions that violate this chapter or the regulations adopted under it, the department

1 may declare the contract void, and may suspend or revoke the registration of the video
2 lottery vendor and the permit of the permittee.

3 (h) Only video lottery machines owned or leased by the department may be
4 used for video lottery charitable gaming.

5 (i) If a permittee

6 (1) contracts with a video lottery vendor under (a)(2) of this section,
7 the contract must provide that the

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

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

12 (C) state shall receive 20 percent of the net machine income;
13 and

14 (D) municipality in which each machine is located, or the state
15 if the machine is located in the unorganized borough outside of municipalities,
16 shall receive 20 percent of the net machine income;

17 (2) conducts video lottery charitable gaming under (a)(1) or (3) of this
18 section, the permittee must remit the percentages of net machine income under (1) of
19 this subsection to the state and municipality, if any, at times set by the department by
20 regulation.

21 (j) The odds of winning each video lottery game shall be posted on or near
22 each video lottery machine. The manner in which the odds are calculated and how
23 they are posted shall be set by the department by regulation.

24 (k) A video lottery machine may

25 (1) not be played by a person under the age of 21 and may not be
26 located in any place accessible to persons under the age of 21;

27 (2) only be played during the regular business hours for the location
28 and if the permittee or video lottery vendor is licensed under AS 04.11 during the legal
29 hours of operation allowed by the license and applicable municipal ordinance;

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

31 (l) A permittee may not have more than 10 video lottery machines at each

1 location for which the permittee has an endorsement. No more than 10 video lottery
2 machines may be located in the same location in the same building. A permittee may
3 not contract with more than five video lottery vendors under this section. A video
4 lottery vendor may not have more than 10 video lottery machines at each video lottery
5 vendor location. A permittee may not have endorsements cumulatively totaling more
6 than 50 machines. Notwithstanding another provision of this subsection, no more than
7 10 video lottery machines may be located in a building where bingo or pull-tab games
8 are conducted. If a video lottery vendor is an operator, video lottery machines may
9 only be located in a location that was being used to conduct bingo or pull-tab games
10 on the effective date of this Act.

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

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

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

26 (p) The department may by regulation exempt a permittee under this section
27 from the reporting requirements of AS 05.15.080 if the information required to be
28 submitted in the report can be obtained directly by the department from the video
29 lottery machines.

30 (q) A video lottery vendor that is an operator is subject only to the provisions
31 relating to video lottery vendors for actions taken as a video lottery vendor.

1 **Sec. 05.15.310. Video lottery machines.** (a) The department may not approve
2 a video lottery machine unless the machine

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

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

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

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

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

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

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

1 (8) does not allow more than \$1 to be played on a game or award free
2 games or credits in excess of the value of \$250 per credit value of \$.25 played; and

3 (9) has a total payoff of at least 85 percent of the value of one \$.25
4 credit.

5 (b) The department shall purchase or lease video lottery machines and shall
6 provide those machines to permittees to use as provided in this chapter. The
7 department shall contract for the installation and maintenance of the video lottery
8 machines. The department may not award a contract under this subsection for the

9 (1) purchase or lease of a video lottery machine unless the machine
10 meets the requirements of (a) of this section;

11 (2) installation and maintenance of a video lottery machine unless the
12 contractor has

13 (A) demonstrated an expertise in installing and maintaining
14 video lottery machines, associated communications, and computer systems; and

15 (B) the capability of responding to a video lottery terminal
16 malfunction or repair request within 24 hours of the malfunction or repair
17 request.

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

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

25 (c) A video lottery machine or associated equipment may not be manufactured,
26 sold, or distributed in the state unless it has been approved by the department. A
27 video lottery machine may only be sold or distributed to the department or a contractor
28 of the department under AS 05.15.310. The department shall examine prototypes of
29 video lottery machines and associated equipment that a licensed manufacturer wishes
30 to manufacture, sell, or distribute in the state. The manufacturer shall pay in advance
31 the costs of the examination and approval of a video lottery machine or associated

1 equipment. The department may contract with another state or person for the
2 examination required under this subsection.

3 (d) A video lottery machine manufacturer may distribute video lottery
4 machines and associated equipment only to a licensed video lottery machine distributor
5 unless the video lottery machine manufacturer is also a licensed video lottery machine
6 distributor.

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

12 **Sec. 05.15.330. Video lottery machine distributors.** (a) A person may not
13 distribute video lottery machines or associated equipment in this state unless the person
14 has received a video lottery machine distributor's license issued by the department.

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

17 (c) Video lottery machines and associated equipment may be distributed only
18 from a location in the state to the department or to a contractor of the department
19 under AS 05.15.310. A person may not distribute video lottery machines or associated
20 equipment directly to another person in the state from a location outside of this state.

21 (d) A video lottery distributor shall report to the department by the last
22 business day of each month on each video lottery machine and associated equipment
23 distributed in the preceding month.

24 (e) A distributor may not

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

27 (2) sell a video lottery machine or associated equipment to a permittee
28 or a video lottery vendor.

29 **Sec. 05.15.340. Distribution of net income from video lottery charitable**
30 **gaming.** The department shall immediately revoke the video lottery endorsement of
31 a permittee or the video lottery registration of a video lottery vendor that fails to pay

1 the following percentages of net machine income from each video lottery machine at
2 the times directed by the department:

3 (1) 60 percent to the permittee or, if the permittee uses a video lottery
4 vendor, 30 percent to the permittee and 30 percent to the video lottery vendor;

5 (2) 20 percent to the state; and

6 (3) 20 percent to the municipality in which the machine is located, or
7 to the state if the machine is located in the unorganized borough outside of
8 municipalities.

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

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

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

19 * **Sec. 22.** AS 05.15.620(c) is amended to read:

20 (c) If a majority of the voters vote "yes" on the question set out in **(a), (b), or**
21 **(d)** [(a) OR (b)] of this section, the department shall be notified immediately after
22 certification of the results of the election and thereafter the department may not issue
23 a license, permit, **endorsement,** or **pull-tab or video lottery** vendor registration
24 authorizing charitable gaming, **video lotteries,** or pull-tab sales, as appropriate, within
25 the boundaries of a municipality and in unincorporated areas within five miles of the
26 boundaries of the municipality or within the perimeter of an established village. As
27 necessary to implement the results of an election under **(a), (b), or (d)** [(a) OR (b)] of
28 this section, existing licenses, permits, **endorsements,** and **pull-tab or video lottery**
29 vendor registrations for charitable gaming, **video lotteries,** or pull-tab sales within the
30 boundaries of a municipality and in unincorporated areas within five miles of the
31 boundaries of the municipality or within the perimeter of an established village are void
32 90 days after the results of the election are certified. A license, **endorsement,** or **pull-**

1 **tab or video lottery** vendor registration that will expire during the 90 days after the
 2 results of a local option election under this section are certified is void as of the
 3 expiration date.

4 * **Sec. 23.** AS 05.15.620 is amended by adding a new subsection to read:

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

8 * **Sec. 24.** AS 05.15.680 is amended to read:

9 **Sec. 05.15.680. Penalties.** (a) **Except as provided in (e) of this section, a**
 10 [A] person who knowingly violates or aids or solicits a person to violate this chapter
 11 is guilty of a violation for the first offense and a class B misdemeanor for the second
 12 and each subsequent offense. **In this subsection, "knowingly" has the meaning**
 13 **given in AS 11.81.900.**

14 (b) A person who, with [THE] intent to mislead a public servant in the
 15 performance of the public servant's duty, submits a false statement in an application
 16 for a permit, license, **endorsement,** or **pull-tab or video lottery** vendor registration
 17 under this chapter is guilty of unsworn falsification. **In this subsection, "with intent"**
 18 **has the meaning given to "intentionally" in AS 11.81.900.**

19 * **Sec. 25.** AS 05.15.680 is amended by adding new subsections to read:

20 (c) A person

21 (1) may not with criminal negligence allow a person under 21 years of
 22 age to use a video lottery machine;

23 (2) who is under the age of 21 may not with criminal negligence use
 24 a video lottery machine;

25 (3) may not with criminal negligence manipulate or attempt to
 26 manipulate the outcome or payoff of a video lottery machine by tampering or
 27 otherwise interfering with the proper functioning of the machine.

28 (d) In this section, "criminal negligence" has the meaning given in
 29 AS 11.81.900.

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

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

32 (36) "qualified organization" means a bona fide civic or service

1 organization or a bona fide religious, charitable, fraternal, veterans, [LABOR,
 2 POLITICAL,] or educational organization, police or fire department and company, dog
 3 mushers' association, outboard motor association, or fishing derby or nonprofit trade
 4 association in the state, that operates without profits to its members and that has been
 5 in existence continually for a period of three years immediately before applying for the
 6 license or permit; the organization may be a firm, corporation, company, association,
 7 or partnership;

8 * **Sec. 27.** AS 05.15.690(44) is amended to read:

9 (44) "**pull-tab** vendor" means a business whose primary activity is not
 10 regulated by this chapter but that

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

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

13 (C) is an establishment holding a

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

24 (ii) package store license under AS 04.11.150;

25 * **Sec. 28.** AS 05.15.690 is amended by adding new paragraphs to read:

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

28 (47) "video lottery" means a game of chance that uses a video lottery
 29 machine;

30 (48) "video lottery machine" means an electronic video game machine
 31 that upon insertion of cash, in the form of coins or bills, is able to play or simulate the

1 play of a video game, including video poker, keno, or blackjack, authorized by the
 2 department, using a video display and microprocessors so that, by chance, the player
 3 may receive free games or credits that can be redeemed for cash;

4 (49) "video lottery vendor" means

5 (A) an operator licensed by the department to conduct bingo or
 6 pull-tab games on the effective date of this Act and that conducts video
 7 lotteries on behalf of a permittee; or

8 (B) a business whose primary activity is not regulated by this
 9 chapter but that

10 (i) conducts video lotteries on behalf of a permittee;

11 (ii) holds a business license under AS 43.70; and

12 (iii) is an establishment holding a beverage dispensary
 13 license under AS 04.11.090 that has not been designated by the
 14 Alcoholic Beverage Control Board under AS 04.16.049(a)(2) - (3), has
 15 not been exempted by the Department of Labor under AS 04.16.049(c)
 16 and AS 23.10.355, and, if the establishment is a hotel, motel, resort, or
 17 similar business that caters to the traveling public as a substantial part
 18 of its business, does not conduct the video lotteries in a dining room,
 19 banquet room, guest room, or other public areas other than a room in
 20 which there is regularly maintained a fixed counter or service bar at
 21 which alcoholic beverages are sold or served to members of the public
 22 for consumption, or a package store license under AS 04.11.150.

23 * **Sec. 29.** AS 11.66.280(2) is amended to read:

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

29 (A) bona fide business transactions valid under the law of
 30 contracts for the purchase or sale at a future date of securities or commodities
 31 and agreements to compensate for loss caused by the happening of chance,

1 including contracts of indemnity or guaranty and life, health, or accident
2 insurance; or

3 (B) playing an amusement device that

4 (i) confers only an immediate right of replay not
5 exchangeable for something of value other than the privilege of
6 immediate replay; and

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

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

11 * Sec. 30. AS 11.66.280(3) is amended to read:

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

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

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

19 or

20 (C) a video lottery machine or a pull-tab sales machine
21 permitted or authorized by the commissioner of revenue under AS 05.15
22 or AS 19.65.035;

23 * Sec. 31. AS 11.66.280(4) is amended to read:

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

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

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

30 (C) is not a

31 (i) vessel of the Alaska marine highway system or the

Department of Transportation and Public Facilities when they are lawfully conducting an activity licensed under AS 19.65.035; or

(ii) municipality or a qualified organization under AS 05.15.690, except that, for purposes of this **subparagraph** [PARAGRAPH], no application for a license under AS 05.15 is required to be considered a qualified organization;

* **Sec. 32.** AS 19.65 is amended by adding new sections to article 1 to read:

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

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

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

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

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

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

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

1 machine.

2 (c) In this section, "criminal negligence" has the meaning given in
3 AS 11.81.900.

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

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

11 **Sec. 19.65.050. Definition for AS 19.65.035 - 19.65.050.** In AS 19.65.035 -
12 19.65.050, "video lottery machine" has the meaning given in AS 05.15.690.

13 * **Sec. 33.** AS 29.10.200(47) is amended to read:

14 (47) AS 29.45.650(c), (d), (e), [AND] (f), **and (i)** (sales and use tax);

15 * **Sec. 34.** AS 29.45.650 is amended by adding a new subsection to read:

16 (i) A borough may not levy or collect a sales tax on sales, rents, and services,
17 or a use tax on the storage, use, or consumption of personal property on video lottery
18 machines and video lottery charitable gaming. This subsection applies to home rule
19 and general law municipalities.

20 * **Sec. 35.** AS 29.45.700(d) is amended to read:

21 (d) A city that levies and collects sales and use taxes under (a) of this section
22 may not levy and collect a sales tax on a purchase made with (1) food coupons, food
23 stamps, or other types of certificates issued under 7 U.S.C. 2011 - 2025 (Food Stamp
24 Act); or (2) food instruments, food vouchers, or other type of certificate issued under
25 42 U.S.C. 1786 (Special Supplemental Food Program for Women, Infants, and
26 Children). **A city that levies and collects sales and use taxes under (a) of this**
27 **section may not levy and collect a sales or use tax on sales, rents, services, storage,**
28 **use, or consumption, of video lottery machines or video lottery charitable gaming.**

29 This subsection applies to home rule and general law municipalities.

30 * **Sec. 36.** Section 4, ch. 13, SLA 1995, as repealed and reenacted by sec. 7, ch. 41, SLA
31 1997, is repealed and reenacted to read:

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

2 (c) A permittee may not contract with more than one operator at a time to
3 conduct the same type of activity. For the purposes of this subsection, bingo games,
4 raffles, lotteries, pull-tab games, ice classics, rain classics, race classics, goose classics,
5 mercury classics, deep freeze classics, canned salmon classics, salmon classics, king
6 salmon classics, dog mushers' contests, snow machine classics, fish derbies, contests
7 of skill, and all activities permitted under AS 05.15.100(b) are each a different type
8 of activity. Except as authorized under AS 05.15.300, a permittee may not contract
9 with an operator to conduct video lotteries.

10 * **Sec. 37.** Section 6, ch. 13, SLA 1995, by sec. 3, ch. 35, SLA 1997, and sec. 8, ch. 41,
11 SLA 1997, is repealed and reenacted to read:

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

13 (b) With the exception of raffles, lotteries, bingo games, video lotteries, pull-
14 tab games, race classics, rain classics, goose classics, mercury classics, deep freeze
15 classics, dog mushers' contests, snow machine classics, canned salmon classics, salmon
16 classics, and king salmon classics, an activity may not be licensed under this chapter
17 unless it existed in the state in substantially the same form and was conducted in
18 substantially the same manner before January 1, 1959.

19 * **Sec. 38.** AS 05.15.690(25) and 05.15.690(34), are repealed.

20 * **Sec. 39.** REGULATIONS. Notwithstanding the effective date of secs. 1 - 38 of this Act,
21 the Department of Revenue shall begin the process under AS 44.62 (Administrative Procedure
22 Act) of adopting regulations to implement this Act so that the regulations can take effect
23 January 1, 2000, or as soon thereafter as is possible.

24 * **Sec. 40.** Except for sec. 39 of this Act, this Act takes effect January 1, 2000.

25 * **Sec. 41.** Section 39 of this Act takes effect immediately under AS 01.10.070(c).