

CS FOR HOUSE BILL NO. 182(TRA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - SECOND SESSION

BY THE HOUSE TRANSPORTATION COMMITTEE

Offered: 3/6/00

Referred: Judiciary, Finance

Sponsor(s): REPRESENTATIVE KOTT

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to charitable gaming; and providing for an effective date."**

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

3 * **Section 1.** AS 05.15.020(b) is amended to read:

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

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

12 (a) The department shall adopt regulations under AS 44.62 (Administrative
13 Procedure Act) necessary to carry out this chapter covering, but not limited to,
14 (1) the issuance, renewal, and revocation of permits, licenses, and **pull-**
15 **tab and video lottery** vendor registrations;

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

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

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

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

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

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

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

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

31 (10) restrictions on the participation by employees of the Department

1 of Fish and Game in salmon classics and in king salmon classics, and by employees
2 of Douglas Island Pink and Chum in king salmon classics;

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

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

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

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

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

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

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

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

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

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

21 **(6) the licensed video lottery machine distributor or the**
22 **distributor's agent;**

23 **(7) the licensed video lottery machine manufacturer or the**
24 **manufacturer's agent;**

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

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

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

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

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

31 (a) If a person has been convicted of a violation of a law of this state that is,

1 or a law or ordinance of another jurisdiction that would be if it had been committed
 2 in this state, a felony, or a violation of a law or ordinance of this state or another
 3 jurisdiction that is a crime involving theft or dishonesty or a violation of gambling
 4 laws

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7 * **Sec. 10.** 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 of the charitable gaming activity to the awarding
10 of prizes to contestants or participants and to political, educational, civic, public,
11 charitable, patriotic, or religious uses in the state. "Political, educational, civic, public,
12 charitable, patriotic, or religious uses" means uses benefiting persons either by bringing
13 them under the influence of education or religion or relieving them from disease,
14 suffering, or constraint, or by assisting them in establishing themselves in life, or by
15 providing for the promotion of the welfare and well-being of the membership of the
16 organization within their own community, or through aiding candidates for public office
17 or groups that support candidates for public office, or by erecting or maintaining public
18 buildings or works, or lessening the burden on government, but does not include

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

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

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

26 (A) to aid candidates for public office or groups that support or
27 oppose candidates for public office;

28 (B) to a political party or to an organization affiliated with a
29 political party; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25 (e) A distributor may not

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

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

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

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

31 (h) An owner, manager, or employee of a person holding a permit or license
 32 under this chapter, or registered under this chapter as a **pull-tab** vendor, may not

1 purchase a pull-tab from a pull-tab series manufactured, distributed, or sold by the
2 permittee, licensee, or registered **pull-tab** vendor.

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

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

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

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

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

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

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

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

28 (d) A separate endorsement shall be issued for each **pull-tab** vendor location.
29 The permittee shall inform the department when a **pull-tab** vendor with whom the
30 permittee is contracting changes the physical location at which pull-tabs are sold, and
31 shall return to the department all copies of a permit endorsed to a **pull-tab** vendor that
32 is no longer selling pull-tabs on behalf of the permittee. Failure to inform the

1 department of a change in **pull-tab** vendor location, or to return the endorsed copies
 2 of a permit to the department after a **pull-tab** vendor change, may constitute grounds
 3 for the suspension or revocation of a permittee's permit.

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

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

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

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

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

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

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

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

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

31 **Sec. 05.15.300. Video lottery.** (a) The department may issue a video lottery

1 endorsement to a permittee to conduct video lottery charitable gaming. The
2 endorsement provides the permittee with the authority to

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

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

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

10 (b) To obtain a video lottery endorsement under

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

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

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

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

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

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

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

25 (A) the location of the club; and

26 (B) the number of video lottery machines the permittee will
27 have at the club.

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

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

31 (2) (a)(2) of this section may not be issued an endorsement under (a)(1)

1 or (3) of this section;

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

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

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

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

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

31 (h) Only video lottery machines owned or leased by the department may be

1 used for video lottery charitable gaming.

2 (i) If a permittee

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

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

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

9 (C) state shall receive 20 percent of the net machine income;
10 and

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

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

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

21 (k) A video lottery machine may

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

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

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

28 (l) A permittee may not have more than 10 video lottery machines at each
29 location for which the permittee has an endorsement. No more than 10 video lottery
30 machines may be located in the same location in the same building. A permittee may
31 not contract with more than five video lottery vendors under this section. A video

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 credit.

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

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

8 (2) installation and maintenance of a video lottery machine unless the
9 contractor has

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

12 (B) the capability of responding to a video lottery terminal
13 malfunction or repair request within 24 hours of the malfunction or repair
14 request.

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

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

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

31 (d) A video lottery machine manufacturer may distribute video lottery

1 machines and associated equipment only to a licensed video lottery machine distributor
2 unless the video lottery machine manufacturer is also a licensed video lottery machine
3 distributor.

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

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

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

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

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

21 (e) A distributor may not

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

24 (2) sell a video lottery machine or associated equipment to a permittee
25 or a video lottery vendor.

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

31 (1) 60 percent to the permittee or, if the permittee uses a video lottery

1 vendor, 30 percent to the permittee and 30 percent to the video lottery vendor;

2 (2) 20 percent to the state; and

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

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

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

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

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

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

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

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

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

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

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

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

17 (c) A person
18 (1) may not with criminal negligence allow a person under 21 years of
19 age to use a video lottery machine;

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

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

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

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

28 * **Sec. 26.** AS 05.15.690(44) is amended to read:

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

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

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

1 (C) is an establishment holding a

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

13 (ii) package store license under AS 04.11.150;

14 * **Sec. 27.** AS 05.15.690 is amended by adding new paragraphs to read:

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

17 (47) "video lottery" means a game of chance that uses a video lottery
 18 machine;

19 (48) "video lottery machine" means an electronic video game machine
 20 that upon insertion of cash, in the form of coins or bills, is able to play or simulate the
 21 play of a video game, including video poker, keno, or blackjack, authorized by the
 22 department, using a video display and microprocessors so that, by chance, the player
 23 may receive free games or credits that can be redeemed for cash;

24 (49) "video lottery vendor" means

25 (A) an operator licensed by the department to conduct bingo or
 26 pull-tab games on the effective date of this paragraph and that conducts video
 27 lotteries on behalf of a permittee; or

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

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

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

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

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

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

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

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

21 **or**

22 **(C) a video lottery machine or a pull-tab sales machine**
 23 **permitted by the commissioner of revenue under AS 05.15;**

24 * **Sec. 29.** AS 29.10.200(48) is amended to read:

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

26 * **Sec. 30.** AS 29.45.650 is amended by adding a new subsection to read:

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

31 * **Sec. 31.** AS 29.45.700(d) is amended to read:

1 (d) A city that levies and collects sales and use taxes under (a) of this section
2 may not levy and collect a sales tax on a purchase made with (1) food coupons, food
3 stamps, or other types of certificates issued under 7 U.S.C. 2011 - 2025 (Food Stamp
4 Act); or (2) food instruments, food vouchers, or other type of certificate issued under
5 42 U.S.C. 1786 (Special Supplemental Food Program for Women, Infants, and
6 Children). **A city that levies and collects sales and use taxes under (a) of this**
7 **section may not levy and collect a sales or use tax on sales, rents, services, storage,**
8 **use, or consumption, of video lottery machines or video lottery charitable gaming.**

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

10 * **Sec. 32.** REGULATIONS. Notwithstanding the effective date of secs. 1 - 31 of this Act,
11 the Department of Revenue shall begin the process under AS 44.62 (Administrative Procedure
12 Act) of adopting regulations to implement this Act so that the regulations can take effect
13 January 1, 2001, or as soon thereafter as is possible.

14 * **Sec. 33.** Except for sec. 32 of this Act, this Act takes effect January 1, 2001.

15 * **Sec. 34.** Section 32 of this Act takes effect immediately under AS 01.10.070(c).