

SENATE BILL NO. 110

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SECOND LEGISLATURE - FIRST SESSION

BY SENATOR TAYLOR

Introduced: 2/21/01

Referred: Labor and Commerce, Finance

A BILL

FOR AN ACT ENTITLED

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

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

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

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

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

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

14 (3) the immediate revocation of permits, licenses, and **pull-tab and**

1 **video lottery** vendor registrations authorized under this chapter if this chapter or
2 regulations adopted under it are violated;

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

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

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

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

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

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

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

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

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

31 **Sec. 05.15.070. Examination of books and records.** The department may

1 examine or have examined the books and records of a permittee, an operator, a
 2 registered **pull-tab or video lottery** vendor, or a person licensed to manufacture or to
 3 distribute **video lottery machines or** pull-tab games in the state. The department may
 4 issue subpoenas for the attendance of witnesses and the production of books, records,
 5 and other documents.

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

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

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

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

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

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

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

15 **(6) the licensed video lottery machine distributor or the**
 16 **distributor's agent;**

17 **(7) the licensed video lottery machine manufacturer or the**
 18 **manufacturer's agent;**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

22 (A) to aid candidates for public office or groups that support or
 23 oppose candidates for public office;

24 (B) to a political party or to an organization affiliated with a
 25 political party; or

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

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

30 (d) The total amount of authorized expenses that may be incurred under (a) of
 31 this section in connection with any gaming activity other than **video lotteries and**

1 pull-tabs may not exceed 90 percent of the adjusted gross income from that gaming
2 activity.

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

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

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

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

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

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

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

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

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

31 (a) **Except as provided in AS 05.15.300 - 05.15.360, this** [THIS] chapter

1 does not authorize the use of playing cards, dice, roulette wheels, coin-operated
 2 instruments or machines, or other objects or instruments used, designed, or intended
 3 primarily for gaming or gambling or any other method or implement not expressly
 4 authorized by the department.

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

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

14 * **Sec. 14.** 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
 19 organization 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
 21 each year of \$1,000,000 times the number of holders of the permit for activities
 22 authorized under this chapter. In this subsection, "activities authorized under this
 23 chapter" means all activities subject to this chapter other than bingo **and video**
 24 **lotteries**.

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

26 (e) A distributor may not

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

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

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

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

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

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

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

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

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

27 (d) A separate endorsement shall be issued for each **pull-tab** vendor location.
 28 The permittee shall inform the department when a **pull-tab** vendor with whom the
 29 permittee is contracting changes the physical location at which pull-tabs are sold, and
 30 shall return to the department all copies of a permit endorsed to a **pull-tab** vendor that
 31 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 of
 2 a permit to the department after a **pull-tab** vendor change, may constitute grounds for
 3 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, the
 18 contract must provide that the permittee shall receive no less than 70 percent of the
 19 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 be
 23 paid by the **pull-tab** vendor shall be paid by check and the check may not be drawn in
 24 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. 19.** 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) contract with a video lottery vendor to conduct video lottery
4 charitable gaming by use of video lottery machines; or

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

7 (b) To obtain an video lottery endorsement under

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

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

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

25 (d) A separate endorsement shall be issued for each permittee or video lottery
26 vendor location. The permittee shall inform the department when the permittee, or a
27 video lottery vendor with whom the permittee is contracting, changes the physical
28 location at which video lottery charitable gaming is conducted and shall return to the
29 department all copies of a permit endorsed to a permittee, or a video lottery vendor,
30 that is no longer conducting video lottery charitable gaming. Failure to inform the
31 department of a change in permittee or video lottery vendor location, or to return the

1 endorsed copies of a permit to the department after a permittee or video lottery vendor
2 change, constitutes grounds for the suspension or revocation of a permittee's permit.

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

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

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

20 (h) If a permittee

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

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

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

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

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

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

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

8 (j) A video lottery machine may

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

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

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

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

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

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

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

1 age or older.

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

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

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

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

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

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

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

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

1 a central computer;

2 (8) does not allow more than \$5 to be played on a game or award free
3 games or credits in excess of the value of \$125 per credit value of \$.25 played; and

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

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

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

13 (c) A video lottery machine or associated equipment may not be
14 manufactured, sold, or distributed in the state unless it has been approved by the
15 department. The department shall examine prototypes of video lottery machines and
16 associated equipment that a licensed manufacturer wishes to manufacture, sell, or
17 distribute in the state. The manufacturer shall pay in advance the costs of the
18 examination and approval of a video lottery machine or associated equipment. The
19 department may contract with another state or person for the examination required
20 under this subsection.

21 (d) A video lottery machine manufacturer may distribute video lottery
22 machines and associated equipment only to a licensed video lottery machine
23 distributor unless the video lottery machine manufacturer is also a licensed video
24 lottery machine distributor.

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

30 **Sec. 05.15.330. Video lottery machine distributors.** (a) A person may not
31 distribute video lottery machines or associated equipment unless the person has

1 received a video lottery machine distributor's license issued by the department.

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

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

8 (d) A video lottery distributor shall report to the department by the last
9 business day of each month on each video lottery machine and associated equipment
10 distributed in the preceding month. The report must include the name of the permittee
11 to whom each video lottery machine or associated equipment is distributed and the
12 serial number of each machine.

13 (e) A distributor may not

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

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

18 **Sec. 05.15.340. Distribution of net income from video lottery charitable**
19 **gaming.** The department shall immediately revoke the video lottery endorsement of a
20 permittee or video lottery registration of a video lottery vendor that fails to pay the
21 following percentages of net machine income from each video lottery machine at the
22 times directed by the department:

23 (1) 30 percent to the video lottery vendor;

24 (2) 30 percent to the permittee;

25 (3) 15 percent to the state; and

26 (4) 25 percent to the municipality in which the machine is located, or
27 to the state if the machine is located in the unorganized borough outside of
28 municipalities.

29 **Sec. 05.15.350. Video lottery revenues may be appropriated for education.**
30 The state's percentage of video lottery charitable adjusted gross income received under
31 AS 05.15.340 shall be deposited in the general fund. The annual estimated balance in

1 the account maintained under AS 37.05.142 for money received under AS 05.15.340
 2 may be appropriated by the legislature to provide for education. Nothing in this
 3 section creates a dedicated fund.

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

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

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

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

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

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

30 **Sec. 05.15.680. Penalties.** (a) **Except as provided in (c) of this section, a**
 31 [A] person who knowingly violates or aids or solicits a person to violate this chapter is

1 guilty of a violation for the first offense and a class B misdemeanor for the second and
2 each subsequent offense.

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

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

8 (c) A person

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

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

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

16 (d) In this section,

17 (1) "criminal negligence" has the meaning given in AS 11.81.900;

18 (2) "knowingly" has the meaning given in AS 11.81.900;

19 (3) "with the intent" has the meaning given to "intentionally" in
20 AS 11.81.900.

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

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

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

31 * **Sec. 25.** AS 05.15.690(44) is amended to read:

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

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

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

5 (C) is an establishment holding a

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

17 (ii) package store license under AS 04.11.150;

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

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

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

26 (48) "video lottery vendor" means a business whose primary activity is
27 not regulated by this chapter but that

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

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

30 (C) is an establishment holding a

31 (i) beverage dispensary license under AS 04.11.090 that

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

11 (ii) package store license under AS 04.11.150.

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

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

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

23 (B) playing an amusement device that

24 (i) confers only an immediate right of replay not
 25 exchangeable for something of value other than the privilege of
 26 immediate replay; and

27 (ii) does not contain a method or device by which the
 28 privilege of immediate replay may be cancelled or revoked;

29 (C) an activity authorized by the Department of Revenue under
 30 AS 05.15 or AS 19.65.110;

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

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

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

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

8 **or**

9 **(C) a video lottery machine permitted by the commissioner**
 10 **of revenue under AS 05.15 or AS 19.65.110;**

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

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

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

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

18 (C) is not a

19 **(i) vessel of the Alaska marine highway system or**
 20 **the Department of Transportation and Public Facilities when they**
 21 **are lawfully conducting an activity licensed under AS 19.65.110; or**

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

26 * **Sec. 30.** AS 19.65 is amended by adding new sections to read:

27 **Article 3. Video Lottery Machines.**

28 **Sec. 19.65.110. Video lottery machines authorized.** (a) The Department of
 29 Revenue may license a vessel of the Alaska marine highway system to operate video
 30 lottery machines in a portion of the vessel that persons under 21 years of age are
 31 prohibited from entering.

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

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

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

11 **Sec. 19.65.120. Prohibitions on video lottery machine operation; penalties.**

12 (a) An employee of the Alaska marine highway system or of a contractor under
13 AS 19.65.110(c) may not with criminal negligence allow a person under 21 years of
14 age to use a video lottery machine authorized under AS 19.65.110. A person under 21
15 years of age may not with criminal negligence use a video lottery machine authorized
16 under AS 19.65.110.

17 (b) A person may not with criminal negligence manipulate or attempt to
18 manipulate the outcome or payoff of a video lottery machine authorized under
19 AS 19.65.110 by tampering or otherwise interfering with the proper functioning of the
20 machine.

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

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

24 **Sec. 19.65.130. Revenues to general fund; appropriation for Alaska**
25 **marine highway system.** Revenues from video lottery machines, less prizes awarded,
26 shall be deposited in the general fund. The legislature may appropriate the annual
27 estimated balance in the account maintained under AS 37.05.142 for revenues
28 deposited under this section for the Alaska marine highway system. Nothing in this
29 section creates a dedicated fund.

30 **Sec. 19.65.140. Definition for AS 19.65.110 - 19.65.140.** In AS 19.65.110 -
31 19.65.140, "video lottery machine" has the meaning given in AS 05.15.690.

1 * **Sec. 31.** AS 05.15.690(25) and 05.15.690(34) are repealed.

2 * **Sec. 32.** The uncodified law of the State of Alaska is amended by adding a new section to
3 read:

4 DIRECTION TO DEPARTMENT OF REVENUE. Notwithstanding the effective
5 date of secs. 1 - 31 of this Act, the Department of Revenue shall begin the process under
6 AS 44.62 of adopting regulations to implement this Act so that the regulations can take effect
7 January 1, 2002, or as soon thereafter as is possible.

8 * **Sec. 33.** Except for sec. 32 of this Act, this Act takes effect January 1, 2002.

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