

CS FOR HOUSE BILL NO. 240(EDT)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - FIRST SESSION

**BY THE HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, INTERNATIONAL TRADE,
AND TOURISM**

Offered: 4/11/03

Referred: House Special Committee on Ways and Means, Finance

**Sponsor(s): HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, INTERNATIONAL
TRADE, AND TOURISM**

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to charitable gaming and establishing a state lottery; and providing for**
2 **an effective date."**

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

4 *** Section 1.** AS 05.15.020(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**
11 **under 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 electronic gaming** 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,
7 individuals, or groups;

8 (3) the immediate revocation of permits, licenses, and **pull-tab and**
9 **electronic** 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
12 from permittees and licensees including detailed statements of receipts and payments;

13 (5) the investigation of permittees, licensees, registered **pull-tab or**
14 **electronic gaming** vendors, and their employees, including the fingerprinting of those
15 permittees, licensees, registered **pull-tab or electronic gaming** vendors, and
16 employees 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 a
22 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
27 operators, including the keeping of records and requirements for the deposit of all
28 receipts in a 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 electronic gaming** vendor at the time a permit, a license, or a

1 **pull-tab or electronic gaming** vendor registration is surrendered, revoked, or
 2 invalidated;

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

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

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

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

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

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

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

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

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

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

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

24 **(6) the licensed electronic gaming machine distributor or the**
 25 **distributor's agent;**

26 **(7) the licensed electronic gaming machine manufacturer or the**
 27 **manufacturer's agent;**

28 **(8) the registered electronic gaming vendor or the vendor's agent;**

29 **or**

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

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

1 (e) The department may issue a permit to a municipality or qualified
 2 organization to conduct electronic gaming activities through the use of electronic
 3 gaming machines.

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

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

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

11 (2) the department may not issue a license to, or register as a **pull-tab**
 12 **or electronic gaming** vendor, an applicant who employs the person in a managerial or
 13 supervisory capacity or uses the person as a fund raiser or consultant;

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

16 (4) the person may not be employed in a managerial or supervisory
 17 capacity by a licensee or vendor or used as a fund raiser or consultant by a licensee or
 18 **a pull-tab or electronic gaming** vendor;

19 (5) the person may not participate in charitable gaming as a permittee,
 20 licensee, or **pull-tab or electronic gaming** vendor.

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

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

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

30 **Sec. 05.15.124. Municipal regulation of operators or vendors.** A
 31 municipality may by ordinance prohibit an operator, **a pull-tab vendor**, or **an**

1 **electronic gaming** [A] vendor from conducting activities under this chapter within the
 2 municipality.

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

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

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

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

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

13 (a) The authority to conduct the activity authorized by this chapter is
 14 contingent upon the dedication of the net proceeds of the charitable gaming activity to
 15 the awarding of prizes to contestants or participants and to political, educational, civic,
 16 public, charitable, patriotic, or religious uses in the state. "Political, educational, civic,
 17 public, charitable, patriotic, or religious uses" means uses benefiting persons either by
 18 bringing them under the influence of education or religion or relieving them from
 19 disease, suffering, or constraint, or by assisting them in establishing themselves in life,
 20 or by providing for the promotion of the welfare and well-being of the membership of
 21 the organization within their own community, or through aiding candidates for public
 22 office or groups that support candidates for public office, or by erecting or maintaining
 23 public buildings or works, or lessening the burden on government, but does not
 24 include

25 (1) the direct or indirect payment of any portion of the net proceeds of
 26 a bingo, **electronic gaming**, or pull-tab game to a lobbyist registered under AS 24.45;

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

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

1 (A) to aid candidates for public office or groups that support or
2 oppose candidates for public office;

3 (B) to a political party or to an organization affiliated with a
4 political party; or

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

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

9 (d) The total amount of authorized expenses that may be incurred under (a) of
10 this section in connection with any gaming activity other than **electronic gaming**
11 **activities and** pull-tabs may not exceed 90 percent of the adjusted gross income from
12 that gaming activity.

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

14 **Sec. 05.15.170. Suspension or revocation of permit, license, or vendor**
15 **registration.** (a) The department may suspend, for a period of up to one year, or
16 revoke a permit, license, or **pull-tab or electronic gaming** vendor registration, after
17 giving notice to and an opportunity to be heard by the permittee or licensee, if the
18 permittee, licensee, or **pull-tab or electronic gaming** vendor

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

21 (2) breaches a contractual agreement with a permittee, licensee, or
22 registered **pull-tab or electronic gaming** vendor;

23 (3) becomes disqualified to participate in charitable gaming as
24 provided in AS 05.15.105; for the purposes of this paragraph, a permittee, licensee, or
25 **pull-tab or electronic gaming** vendor that is not a natural person is considered
26 convicted if an owner or manager of the permittee, licensee, or **pull-tab or electronic**
27 **gaming** vendor is convicted;

28 (4) knowingly submits false information to the department or, in the
29 case of a registered **pull-tab or electronic gaming** vendor, to a permittee when the
30 **pull-tab or electronic gaming** vendor knows that the false information will be
31 submitted to the department as part of an application for registration; or

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

3 (b) If the department revokes a license or **pull-tab or electronic gaming**
4 vendor registration under this section, it may prohibit the licensee or **pull-tab or**
5 **electronic gaming** vendor from reapplying for a license or **pull-tab or electronic**
6 **gaming** vendor registration for a period of not more than five years. If the department
7 revokes a permit under this section, it may prohibit the permittee from reapplying for a
8 permit for a period of not more than one year.

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

10 (a) **Except as provided in AS 05.15.300 - 05.15.350, this** [THIS] chapter
11 does not authorize the use of playing cards, dice, roulette wheels, coin-operated
12 instruments or machines, or other objects or instruments used, designed, or intended
13 primarily for gaming or gambling or any other method or implement not expressly
14 authorized by the department.

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

16 (b) With the exception of raffles, lotteries, bingo games, **electronic gaming**
17 **activities**, pull-tab games, race classics, rain classics, goose classics, mercury classics,
18 deep freeze classics, dog mushers' contests, snow machine classics, canned salmon
19 classics, salmon classics, and king salmon classics, an activity may not be licensed
20 under this chapter unless it existed in the state in substantially the same form and was
21 conducted in substantially the same manner before January 1, 1959. A snow machine
22 classic may not be licensed under this chapter unless it has been in existence for at
23 least five years before the licensing.

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

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

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

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

5 (e) A distributor may not

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

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

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

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

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

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

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

21 * **Sec. 19.** AS 05.15.188 is amended to read:

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

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

31 (c) The endorsement issued under (b) of this section is an extension of the

1 permittee's privilege under AS 05.15.100 to conduct pull-tab sales in this state. A
2 **pull-tab** vendor may not sell a pull-tab series until a copy of the permit containing the
3 endorsement for the new **pull-tab** vendor location has been posted by the permittee in
4 the registered **pull-tab** vendor establishment. The endorsed permit must be clearly
5 visible to the gaming public.

6 (d) A separate endorsement shall be issued for each **pull-tab** vendor location.
7 The permittee shall inform the department when a **pull-tab** vendor with whom the
8 permittee is contracting changes the physical location at which pull-tabs are sold, and
9 shall return to the department all copies of a permit endorsed to a **pull-tab** vendor that
10 is no longer selling pull-tabs on behalf of the permittee. Failure to inform the
11 department of a change in **pull-tab** vendor location, or to return the endorsed copies of
12 a permit to the department after a **pull-tab** vendor change, may constitute grounds for
13 the suspension or revocation of a permittee's permit.

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

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

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

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

30 (i) An amount equal to the ideal net less the compensation owed to the **pull-**
31 **tab** vendor shall be paid by the **pull-tab** vendor to the member-in-charge upon

1 delivery of a pull-tab series to the **pull-tab** vendor for sale. The amount required to be
 2 paid by the **pull-tab** vendor shall be paid by check and the check may not be drawn in
 3 a manner that the payee is not identified.

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

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

8 * **Sec. 20.** AS 05.15 is amended by adding new sections to read:

9 **Article 2A. Electronic Gaming Activities.**

10 **Sec. 05.15.300. Electronic gaming.** (a) The department may issue an
 11 electronic gaming endorsement to a permittee to conduct electronic gaming charitable
 12 gaming. The endorsement provides the permittee with the authority to

13 (1) contract with electronic gaming vendors to conduct electronic
 14 gaming by use of electronic gaming machines;

15 (2) if the permittee has a club license under AS 04.11.110, conduct
 16 electronic gaming by use of electronic gaming machines at the location of the club.

17 (b) To obtain an electronic gaming endorsement under

18 (1) (a)(1) of this section, a permittee shall register each electronic
 19 gaming vendor with the department by applying for registration on a form prescribed
 20 by the department and

21 (A) identify the locations of the electronic gaming machines;

22 (B) identify the number of electronic gaming machines the
 23 permittee will have at each location; and

24 (C) pay an annual fee of \$100 for each electronic gaming
 25 machine;

26 (2) (a)(2) of this section, the permittee shall submit proof of the club
 27 license to the department and

28 (A) identify the location of the club;

29 (B) identify the number of electronic gaming machines the
 30 permittee will have at the club; and

31 (C) pay an annual fee of \$100 for each electronic gaming

1 machine.

2 (c) A permittee issued an endorsement to conduct electronic gaming activities
3 under

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

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

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

16 (e) A separate endorsement shall be issued for each permittee location or
17 electronic gaming vendor location. The endorsement for a location may not be
18 transferred to another location. The permittee shall inform the department if the
19 permittee or its electronic gaming vendor discontinues conducting electronic gaming.
20 Failure to return the endorsed copies of a permit to the department after a permittee or
21 an electronic gaming vendor change constitutes grounds for the suspension or
22 revocation of a permittee's permit.

23 (f) At the time that a permittee annually renews its permit, the permittee shall
24 also renew the registration of the locations where the permittee or an electronic
25 gaming vendor is conducting electronic gaming.

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

1 regarding the allocation of the costs of purchasing or leasing the electronic gaming
2 machines.

3 (h) Only electronic gaming machines approved by the department may be used
4 for electronic gaming. A permittee may purchase the machines directly from a licensed
5 electronic gaming machine distributor or may enter into a lease or lease-purchase
6 arrangement for the machines with the distributor. A lease or lease-purchase arrangement
7 must be approved by the department.

8 (i) If a permittee

9 (1) contracts with an electronic gaming vendor under (a)(1) of this
10 section, the contract must provide that the

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

13 (B) registered electronic gaming vendor shall receive 30
14 percent of the net machine income;

15 (C) state shall receive 30 percent of the net machine income;
16 and

17 (D) municipality in which each machine is located, or the state
18 if the machine is located in the unorganized borough outside of municipalities,
19 shall receive 10 percent of the net machine income; if the machine is located in
20 a city within an organized borough, five percent shall be paid to the city and
21 five percent to the borough;

22 (2) conducts electronic gaming under (a)(2) of this section, the
23 permittee must remit the percentages of net machine income under (1) of this
24 subsection to the state and municipality, if any, at times set by the department by
25 regulation.

26 (j) The odds of winning each electronic gaming game shall be posted on or
27 near each electronic gaming machine. The manner in which the odds are calculated
28 and how they are posted shall be set by the department by regulation.

29 (k) An electronic gaming machine may

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

32 (2) only be played during the regular business hours for the location

1 and, if the permittee or electronic gaming vendor is licensed under AS 04.11, during
2 the legal hours of operation allowed by the license and applicable municipal
3 ordinance;

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

5 (l) A permittee may not have more than 5 electronic gaming machines at a
6 location for which the permittee has an endorsement. An electronic gaming vendor
7 may not have endorsements from permittees for more than 10 machines. A permittee
8 may not contract with more than five electronic gaming vendors. A permittee may not
9 have endorsements cumulatively totaling more than 5 machines.

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

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

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

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

29 **Sec. 05.15.310. Electronic gaming machines.** The department may not
30 approve an electronic gaming 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, all
9 refunds of winnings made by the machine's printer, credits played for electronic
10 gaming games, and credits won by electronic gaming 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 the
13 value of the prize for the player at the completion of each electronic gaming 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
18 includes total money inserted into the machine, the value of winning tickets claimed
19 by players, the total electronic gaming credits awarded by an electronic gaming game,
20 and the payback percentages credited players of each electronic gaming game;

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

29 (8) does not allow more than \$2 to be played on a game or award free
30 games or credits in excess of the value of \$75 for each 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 **Sec. 05.15.320. Electronic gaming machine manufacturers.** (a) A person
3 may not manufacture electronic gaming machines or associated equipment in the state,
4 and may not sell or distribute an electronic gaming machine or associated equipment
5 that the person has manufactured outside of the state to persons in the state, unless the
6 person has received an electronic gaming manufacturer's license issued by the
7 department.

8 (b) The department may issue an electronic gaming machine manufacturer's
9 license to a person who pays an annual fee of \$5,000.

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

18 (d) An electronic gaming machine manufacturer may distribute electronic
19 gaming machines and associated equipment only to a licensed electronic gaming
20 machine distributor unless the electronic gaming machine manufacturer is also a
21 licensed electronic gaming machine distributor.

22 (e) An electronic gaming machine manufacturer shall report to the department
23 by the last business day of the month on each machine or associated equipment sold or
24 distributed within the state during the preceding month, including the serial number of
25 each machine or associated equipment distributed and the name of the distributor to
26 whom the machine or associated equipment was sold or distributed.

27 **Sec. 05.15.330. Electronic gaming machine distributors.** (a) A person may
28 not distribute electronic gaming machines or associated equipment in this state unless
29 the person has received an electronic gaming machine distributor's license issued by
30 the department.

31 (b) The department may issue an electronic gaming machine distributor's

1 license to a person who pays an annual fee of \$5,000.

2 (c) Electronic gaming machines and associated equipment may be distributed
3 only from a location in the state. A person may not distribute electronic gaming
4 machines or associated equipment directly to another person in the state from a
5 location outside of this state.

6 (d) An electronic gaming distributor shall report to the department by the last
7 business day of each month on each electronic gaming machine and associated
8 equipment distributed in the preceding month. The report must include the name of
9 the permittee to whom each electronic gaming machine or associated equipment is
10 distributed and the serial number of each machine.

11 (e) A distributor may only sell or lease an electronic gaming machine and
12 associated equipment to the permittee. A distributor may not

13 (1) take an order for the purchase or lease of an electronic gaming
14 machine or associated equipment from an electronic gaming vendor; or

15 (2) sell or lease an electronic gaming machine or associated equipment
16 to an electronic gaming vendor.

17 **Sec. 05.15.340. Distribution of net income from electronic gaming;**
18 **appropriations for education.** (a) The department shall immediately revoke the
19 electronic gaming endorsement of a permittee or the electronic gaming registration of
20 an electronic gaming vendor that fails to pay the following percentages of net machine
21 income from each electronic gaming machine at the times directed by the department:

22 (1) 60 percent to the permittee or, if the permittee uses an electronic
23 gaming vendor, 30 percent to the permittee and 30 percent to the electronic gaming
24 vendor;

25 (2) 30 percent to the state; and

26 (3) 10 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; if the machine is located in a city within an organized borough, five
29 percent shall be paid to the city and five percent to the borough.

30 (b) The state's percentage of video lottery charitable adjusted gross income
31 received under this section shall be deposited in the general fund. The annual

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

4 **Sec. 05.15.350. 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 electronic gaming when the contracting will not jeopardize the
 7 integrity of the gaming and enforcement of the laws of the state.

8 * **Sec. 21.** 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, **endorsement**, or **pull-tab or electronic gaming** vendor registration
 13 authorizing charitable gaming, **electronic gaming activities**, or pull-tab sales, as
 14 appropriate, within the boundaries of a municipality and in unincorporated areas
 15 within five miles of the boundaries of the municipality or within the perimeter of an
 16 established village. As necessary to implement the results of an election under **(a),**
 17 **(b), or (d)** [(a) OR (b)] of this section, existing licenses, permits, **endorsement**, and
 18 **pull-tab or electronic gaming** vendor registrations for charitable gaming, **electronic**
 19 **gaming activities**, or pull-tab sales within the boundaries of a municipality and in
 20 unincorporated areas within five miles of the boundaries of the municipality or within
 21 the perimeter of an established village are void 90 days after the results of the election
 22 are certified. A license, **endorsement**, or **pull-tab or electronic gaming** vendor
 23 registration that will expire during the 90 days after the results of a local option
 24 election under this section are certified is void as of the expiration date.

25 * **Sec. 22.** AS 05.15.620 is amended by adding a new subsection to read:

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

30 * **Sec. 23.** AS 05.15.680 is amended to read:

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

1 [A] person who knowingly violates or aids or solicits a person to violate this chapter is
 2 guilty of a violation for the first offense and a class B misdemeanor for the second and
 3 each subsequent offense. **In this subsection, "knowingly" has the meaning given in**
 4 **AS 11.81.900.**

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

10 * **Sec. 24.** AS 05.15.680 is amended by adding new subsections to read:

11 (c) A person

12 (1) may not with criminal negligence allow a person under 21 years of
 13 age to use an electronic gaming machine;

14 (2) who is under the age of 21 may not with criminal negligence use an
 15 electronic gaming machine;

16 (3) may not with criminal negligence manipulate or attempt to
 17 manipulate the outcome or payoff of an electronic gaming machine by tampering or
 18 otherwise interfering with the proper functioning of the machine.

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

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

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

23 (46) "electronic gaming" means a game of chance that uses an
 24 electronic gaming machine;

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

30 (48) "electronic gaming vendor" means a business whose primary
 31 activity is not regulated by this chapter but that

1 (A) conducts electronic gaming activities on behalf of a
2 permittee;

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

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

14 (49) "net machine income" means money put into an electronic gaming
15 machine minus credits paid out in cash;

16 (50) "pull-tab vendor" means a business whose primary activity is not
17 regulated by this chapter but that

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

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

20 (C) is an establishment holding a

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

1 (ii) package store license under AS 04.11.150.

2 * **Sec. 26.** AS 05 is amended by adding a new chapter to read:

3 **Chapter 18. State Lottery.**

4 **Article 1. Administration.**

5 **Sec. 05.18.010. Creation of commission.** (a) The Alaska State Lottery
6 Commission is established for the purpose of generating revenue for the state. The
7 commission is established in the Department of Revenue. The commission consists of
8 five members appointed by the governor, subject to confirmation by the legislature.
9 One member shall be appointed from each of the four judicial districts of the state.
10 The fifth member shall be an at-large member. Not more than three of the five
11 members may be members of the same political party. The governor shall appoint one
12 member to serve as chair of the commission.

13 (b) Members serve staggered terms of five years. A member may be
14 reappointed but may not serve for more than 10 years.

15 (c) A member of the commission does not receive a salary for service on the
16 commission but is entitled to per diem and travel expenses authorized for members of
17 boards and commissions under AS 39.20.180.

18 (d) A member of the commission may not have a pecuniary interest in a
19 contract or agreement entered into by the commission.

20 (e) A person may not serve as a member of the commission if that person

21 (1) has been convicted of

22 (A) a felony; or

23 (B) an offense under this chapter, AS 11.66.200 - 11.66.280, or a
24 comparable provision of municipal, state, or federal law;

25 (2) holds a license, permit, or registration under AS 05.15; or

26 (3) is an elected official of the state or of a political subdivision of the
27 state.

28 (f) A person may not serve as a member of the commission until the
29 investigation required under AS 18.65.080(b) is completed.

30 (g) Three members of the commission constitute a quorum for the transaction of
31 business.

1 (h) The governor may remove a member for cause, including incompetence, ne-
 2 glect of duty, or misconduct in office. A member being removed for cause shall be given
 3 a copy of the charges and afforded an opportunity to publicly present a defense in person
 4 or by counsel upon not less than 10 days' notice. If a member is removed for cause, the
 5 governor shall file with the lieutenant governor a complete statement of all charges made
 6 against the member and the governor's findings based on the charges, together with a
 7 complete record of the proceedings.

8 (i) The governor may immediately suspend a member for a violation of law or
 9 for misconduct in office pending removal from office under (a) of this section.

10 **Sec. 05.18.020. Meetings.** (a) The commission shall meet at least quarterly at
 11 the call of the chair, at the request of a majority of the members, or at a regularly
 12 scheduled time set by the commission.

13 (b) An action of the commission is not binding unless taken at a meeting
 14 where three or more of the members are present and vote in favor of the action.

15 **Sec. 05.18.030. Duties and powers of commission.** The commission shall

16 (1) enter into contracts and agreements necessary to carry out the
 17 provisions of this chapter;

18 (2) adopt regulations necessary to carry out the provisions of this
 19 chapter;

20 (3) determine policy direction for the operation and administration of
 21 the lottery;

22 (4) report to the governor and the legislature each year, including a full
 23 and complete statement of lottery revenue, prize disbursement, and other expenses,
 24 and recommendations for changes in this chapter;

25 (5) report to the governor and the legislature as frequently as the
 26 commission determines necessary on conclusions from the analysis of the reaction of
 27 state residents to the lottery, and on matters that require changes in the law to prevent
 28 violations or evasions of this chapter or to correct undesirable conditions in connection
 29 with the operation or administration of the lottery;

30 (6) monitor the operation of the lottery throughout the state;

31 (7) study and investigate the operation and administration of the lottery

1 laws of other states and of federal laws that affect the lottery; and

2 (8) conduct two lotteries each year with one winner at each lottery; the
3 winner of the lottery shall receive 50 percent of the ticket sales for that lottery less the
4 expenses of the lottery not to exceed five percent of the total sales; the remaining
5 revenues from the ticket sales shall be deposited in the general fund.

6 **Sec. 05.18.040. Regulations.** The commission shall adopt regulations under
7 AS 44.62 (Administrative Procedure Act) to establish

8 (1) the manner of conducting the lotteries identified under
9 AS 05.18.030(8), and the calculation and awarding of prizes;

10 (2) the procedures for contracting with persons to be agents;

11 (3) the manner and amount of compensation to be paid agents;

12 (4) other matters necessary or desirable to carry out this chapter, to
13 operate the lottery efficiently and economically, and to make the purchase of lottery
14 tickets and the distribution of prizes convenient.

15 **Sec. 05.18.050. Executive director and employees.** (a) The commission
16 shall employ an executive director who is qualified by training and experience to
17 conduct the day-to-day work of the commission. The director may not engage in
18 another profession or occupation.

19 (b) Subject to the approval of the commission, the director may appoint
20 deputies required to carry out the functions and duties of the commission. The
21 director may appoint professional, technical, and clerical employees necessary to
22 perform the duties of the commission.

23 (c) The director and other employees of the commission are in the exempt
24 service under AS 39.25.110.

25 (d) The commission may not employ a person who has been convicted,
26 including conviction based on a guilty plea or plea of nolo contendere, of an offense
27 that disqualifies a person from being a member of the commission.

28 **Sec. 05.18.060. Duties of director.** The director shall

29 (1) supervise the operation and administration of the lottery;

30 (2) act as secretary to the commission;

31 (3) contract with agents to sell lottery tickets;

1 (4) meet at least quarterly with the commission on the operation and
2 administration of the lottery;

3 (5) make available for inspection by the commission, upon request, all
4 books, records, files, and other information and documents of the commission;

5 (6) advise the commission and make recommendations to improve the
6 operation and administration of the lottery;

7 (7) suspend or revoke a contract issued under this chapter for a
8 violation of this chapter or the regulations adopted under this chapter;

9 (8) subject to the approval of the commission, enter into contracts for
10 the operation and administration of the lottery, except that agent contracts are not
11 subject to the approval of the commission; and

12 (9) provide each six months to the commission a full and complete
13 statement of the lottery revenue, prize disbursements, and other expenses for the
14 preceding period.

15 **Sec. 05.18.070. Subpoenas.** (a) The director or the commission may
16 subpoena witnesses and documents in a matter over which the commission has
17 jurisdiction, control, or supervision. The director or the commission may administer
18 oaths and affirmations to persons whose testimony is required.

19 (b) If a person fails to obey a subpoena, or if a person refuses to answer a
20 relevant question or to exhibit a document when ordered to do so by the director or the
21 commission, the director or the commission may apply to the superior court for an
22 order directing the person to comply with the subpoena or the order. The court may
23 order the person to comply.

24 **Article 2. Lottery Retail Sales Agents.**

25 **Sec. 05.18.100. Lottery retail sales agents.** (a) The director may contract
26 with persons on behalf of the commission to be lottery retail sales agents.

27 (b) A lottery retail sales agent may

28 (1) sell lottery tickets;

29 (2) hire employees to perform the services under (1) of this subsection.

30 (c) An agent shall supervise each employee of the agent in the employee's
31 performance of the services under (b)(1) of this section.

1 **Sec. 05.18.110. Qualifications for agent contracts.** (a) A person who
 2 wishes to contract with the commission to be an agent shall apply on a form provided
 3 by the commission. The director shall charge the applicant a fee to cover the costs of
 4 processing the application and checking the background of the applicant.

5 (b) Before contracting with an applicant to be an agent, the director shall
 6 consider

7 (1) the financial responsibility and security of the applicant and the
 8 applicant's business or activity;

9 (2) the accessibility of the applicant's place of business or activity to
 10 the public;

11 (3) the ability of the applicant to promote the retail sale of lottery
 12 tickets;

13 (4) the sufficiency of existing agent contracts to serve the public
 14 convenience;

15 (5) the volume of expected sales; and

16 (6) other factors the director determines are relevant.

17 (c) The director may not contract with an applicant to be an agent if the
 18 applicant

19 (1) would be engaged in business exclusively as an agent;

20 (2) is an individual under 18 years of age; or

21 (3) has been convicted of a felony or a gambling or gaming
 22 misdemeanor, including conviction based on a guilty plea or plea of nolo contendere.

23 **Sec. 05.18.120. Duration of agent contracts.** The director may contract with
 24 an agent for a term of not more than two years, but may renew the contract.

25 **Sec. 05.18.130. Revocation or suspension of agent contracts.** (a) The
 26 director shall suspend or cancel the contract of an agent who violates AS 05.18.320.

27 (b) The director may suspend or cancel the contract of an agent who violates a
 28 regulation adopted under this chapter or a provision of this chapter other than
 29 AS 05.18.320.

30 (c) The director shall conduct proceedings to suspend or cancel an agent
 31 contract under AS 44.62 (Administrative Procedure Act).

1 **Sec. 05.18.140. Compensation of agents.** (a) The director shall establish the
2 levels of compensation for agents. The director may establish bonus or incentive
3 awards.

4 (b) When establishing the compensation for agents, the director shall consider

5 (1) the time and the cost of overhead necessary to make the lottery
6 tickets available at convenient times and for sufficient hours to accommodate the
7 public;

8 (2) the time necessary for an agent to keep adequate records of the
9 sales of lottery tickets and to prepare the deposits and reports required under
10 AS 05.18.150;

11 (3) other criteria the director considers relevant.

12 **Sec. 05.18.150. Deposit of receipts and reports.** (a) Each agent shall
13 deposit to the credit of the state in a bank designated by the director all money
14 received by the agent from the sale of lottery tickets.

15 (b) Each agent shall file with the director on a form provided by the
16 commission weekly reports of the receipts and transactions in the sale of lottery
17 tickets.

18 (c) The director shall impose a service charge on an agent if the payor bank
19 dishonors

20 (1) a check that is deposited to the credit of the state by the agent; or

21 (2) an electronic transfer of funds to the state lottery account from the
22 account of the agent for money received from the sale of lottery tickets.

23 (d) The director may charge an agent interest on money that is not paid to the
24 state within 10 days after the due date and may impose an additional service charge in
25 an amount to cover administrative costs if the debt is referred for collection.

26 (e) The amount, including any interest or service charge, owed to the
27 commission by an agent is a lien on the property of the agent at the time that the
28 commission files a claim of lien in the recorder's office of the recording district of the
29 principal place of business of the agent.

30 **Sec. 05.18.160. Bond.** (a) Each applicant for an agent contract shall, at the
31 time of application under AS 05.18.110, file with the commission and maintain during

1 the term of an agent contract a bond running to the state with a corporate surety
 2 qualified to do business in the state. The amount of the bond shall be determined by
 3 the commission.

4 (b) The bond required by this section remains in effect until cancelled by
 5 action of the surety, the principal, or the commission.

6 (c) The state or another person may not bring an action on the bond more than
 7 three years after its cancellation.

8 **Article 3. Prizes.**

9 **Sec. 05.18.200. Assignment of prizes.** A person may not assign a right to a
 10 prize. However, a prize may be paid to a person other than the prize winner under a
 11 court order or to the estate of a deceased prize winner. The state is discharged of all
 12 further liability when a prize has been paid under this section.

13 **Sec. 05.18.210. Payment of prizes to persons under 18 years.** (a) If a
 14 person entitled to a prize is under 18 years of age, the director may deliver the prize by
 15 depositing the amount of the prize in a bank to the credit of an adult member of the
 16 minor's family, or a guardian of the minor, as custodian for the minor. The person
 17 named as custodian shall have the same duties and powers as a person designated as a
 18 custodian under AS 13.46.

19 (b) The state is discharged of all further liability after payment of a prize to a
 20 minor under this section.

21 (c) In this section,

22 (1) "bank" has the meaning given in AS 45.14.105;

23 (2) "guardian" has the meaning given in AS 13.06.050;

24 (3) "member of the minor's family" has the meaning given in
 25 AS 13.46.990.

26 **Sec. 05.18.220. Unclaimed prize money.** The director shall retain unclaimed
 27 prize money for the person entitled to it for one year after the prize is awarded. If the
 28 winner does not claim the prize money within the year, the commission shall return
 29 the money and accrued interest to the state lottery fund.

30 **Article 4. Miscellaneous Provisions.**

31 **Sec. 05.18.300. State lottery fund and appropriations.** There is created in

1 the general fund the state lottery fund. The state lottery fund consists of all revenue
2 received from the sale of lottery tickets and all other money credited or transferred to
3 the fund from another fund or source.

4 **Sec. 05.18.310. Audit.** The commission shall have an audit of the books and
5 accounts of the commission performed at least once in each year by certified public
6 accountants. The commission may have special audits performed at any time on its
7 own motion or at the request of the director. The commission shall file a copy of each
8 audit with the commissioner of revenue and the legislature.

9 **Sec. 05.18.320. Prohibited acts.** (a) A person may not

10 (1) knowingly act as an agent or sell a lottery ticket unless the person
11 has a contract with the commission to be an agent, or is an employee of an agent and
12 sells lottery tickets under the supervision of the agent;

13 (2) knowingly sell a lottery ticket at a price greater than that fixed by
14 the commission;

15 (3) knowingly sell or offer to sell a lottery ticket to a person under 18
16 years of age;

17 (4) knowingly present a counterfeit or altered lottery ticket for
18 payment or transfer a counterfeit or altered lottery ticket to another person to present
19 for payment;

20 (5) with intent to defraud, falsely make, alter, forge, utter, pass or
21 counterfeit a lottery ticket; or

22 (6) impersonate a lottery representative.

23 (b) A lottery retail sales agent, the governor, or an officer, employee, or
24 contractor of the commission or the Office of the Governor may not purchase a lottery
25 ticket or receive a lottery prize.

26 (c) An agent may not knowingly withhold funds owed to the lottery.

27 (d) This section does not prohibit a person from giving a lottery ticket to
28 another person of any age.

29 (e) In this section, "knowingly" has the meaning given in AS 11.81.900.

30 **Sec. 05.18.330. Assignment of contracts.** A person that enters into a contract
31 under this chapter may not assign the contract without the approval of the commission.

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

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

9 (B) playing an amusement device that

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

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

15 (C) an activity authorized by the Department of Revenue under
 16 AS 05.15 or AS 05.18;

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

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

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

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

25 **or**

26 **(C) an electronic gaming machine permitted by the**
 27 **commissioner of revenue under AS 05.15;**

28 * **Sec. 29.** AS 18.65.080 is amended by adding a new subsection to read:

29 (b) The Department of Public Safety shall investigate and ascertain whether a
 30 person appointed by the governor to serve as a member of the Alaska Gaming
 31 Commission has been convicted of a crime set out in AS 05.18.010(e).

1 * **Sec. 30.** AS 29.10.200(51) is amended to read:

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

3 * **Sec. 31.** AS 29.45.650 is amended by adding a new subsection to read:

4 (i) A borough may not levy or collect a sales tax on sales, rents, and services,
5 or a use tax on the storage, use, or consumption of personal property on electronic
6 gaming machines and electronic gaming. This subsection applies to home rule and
7 general law municipalities.

8 * **Sec. 32.** AS 29.45.700(d) is amended to read:

9 (d) A city that levies and collects sales and use taxes under (a) of this section
10 may not levy and collect a sales tax on a purchase made with (1) food coupons, food
11 stamps, or other types of allotments issued under 7 U.S.C. 2011 - 2036 (Food Stamp
12 Program); or (2) food instruments, food vouchers, or other type of certificate issued
13 under 42 U.S.C. 1786 (Special Supplemental Food Program for Women, Infants, and
14 Children). For purposes of this subsection, the value of a food stamp allotment paid in
15 the form of a wage subsidy as authorized under AS 47.25.975(b) is not considered to
16 be an allotment issued under 7 U.S.C. 2011 - 2036 (Food Stamp Program). **A city**
17 **that levies and collects sales and use taxes under (a) of this section may not levy**
18 **and collect a sales or use tax on sales, rents, services, storage, use, or**
19 **consumption, of electronic gaming machines or electronic gaming.** This
20 subsection applies to home rule and general law municipalities.

21 * **Sec. 33.** AS 39.25.110(11) is amended to read:

22 (11) the officers and employees of the following boards, commissions,
23 and authorities:

24 (A) [REPEALED

25 (B)] Alaska Permanent Fund Corporation;

26 **(B)** [(C)] Alaska Industrial Development and Export Authority;

27 **(C)** [(D)] Alaska Commercial Fisheries Entry Commission;

28 **(D)** [(E)] Alaska Commission on Postsecondary Education;

29 **(E)** [(F)] Alaska Aerospace Development Corporation;

30 **(F) Alaska State Lottery Commission;**

31 * **Sec. 34.** AS 39.50.200(b) is amended by adding a new paragraph to read:

1 (57) Alaska State Lottery Commission (AS 05.18).

2 * **Sec. 35.** AS 05.15.690(44) is repealed.

3 * **Sec. 36.** The uncodified law of the State of Alaska is amended by adding a new section to
4 read:

5 REGULATIONS. Notwithstanding the effective date of secs. 1 - 25, 28, 30 - 32, and
6 35 of this Act, the Department of Revenue shall begin the process under AS 44.62
7 (Administrative Procedure Act) of adopting regulations to implement those sections of this
8 Act so that the regulations can take effect January 1, 2004, or as soon thereafter as is possible.

9 * **Sec. 37.** Except as provided in sec. 38 of this Act, this Act takes effect January 1, 2004.

10 * **Sec. 38.** Sections 26, 27, 29, 33, 34, and 36 of this Act take effect immediately under
11 AS 01.10.070(c).