

SENATE BILL NO. 186

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-THIRD LEGISLATURE - FIRST SESSION

BY SENATOR TAYLOR

Introduced: 4/14/03

Referred: Labor and Commerce, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to authorizing charitable gaming permittees to use up to five electronic**
2 **gaming machines at certain locations with certain liquor licenses or certain other places**
3 **where access is restricted to persons 21 years of age or older as an authorized form of**
4 **charitable gaming; limiting the maximum number of electronic gaming machines for**
5 **which a vendor may have an endorsement to not more than 10; relating to licensing**
6 **manufacturers and distributors of electronic gaming machines; relating to local**
7 **prohibition of electronic gaming; limiting the authority of municipalities to tax**
8 **electronic gaming machines; relating to penalties concerning charitable gaming; making**
9 **conforming amendments; and providing for an effective date."**

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

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

12 (b) An additional fee of one percent of the net proceeds received during the

1 preceding year from the activities authorized under the permit shall be paid to the
 2 department annually by the municipality or qualified organization authorized to
 3 conduct activities under this chapter, if the gross receipts for the activities were
 4 \$20,000 or more. **In this subsection, "activities authorized under the permit" does**
 5 **not include activities conducted under an endorsement issued to a permittee**
 6 **under AS 05.15.300.**

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

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

10 (1) the issuance, renewal, and revocation of permits, licenses, and **pull-**
 11 **tab and electronic gaming** vendor registrations;

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

17 (3) the immediate revocation of permits, licenses, and **pull-tab and**
 18 **electronic** vendor registrations authorized under this chapter if this chapter or
 19 regulations adopted under it are violated;

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

22 (5) the investigation of permittees, licensees, registered **pull-tab or**
 23 **electronic gaming** vendors, and their employees, including the fingerprinting of those
 24 permittees, licensees, registered **pull-tab or electronic gaming** vendors, and
 25 employees whom the department considers it advisable to fingerprint;

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

28 (7) the number of activities that may be held, operated, or conducted
 29 under a permit during a specified period; however, the department may not allow more
 30 than 14 bingo sessions a month and 35 bingo games a session to be conducted under a
 31 permit; the holders of a multiple-beneficiary permit under AS 05.15.100(d) may hold,

1 operate, or conduct the number of sessions and games a month equal to the number
 2 allowed an individual permittee per month multiplied by the number of holders of the
 3 multiple-beneficiary permit;

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

7 (9) the disposition of funds in possession of a permittee, a person,
 8 municipality, or qualified organization that possesses an operator's license, or a
 9 registered pull-tab or electronic gaming vendor at the time a permit, a license, or a
 10 pull-tab or electronic gaming vendor registration is surrendered, revoked, or
 11 invalidated;

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

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

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

18 **Sec. 05.15.070. Examination of books and records.** The department may
 19 examine or have examined the books and records of a permittee, an operator, a
 20 registered pull-tab or electronic gaming vendor, or a person licensed to manufacture
 21 or to distribute electronic gaming machines or pull-tab games in the state. The
 22 department may issue subpoenas for the attendance of witnesses and the production of
 23 books, records, and other documents.

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

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

- 28 (1) the member in charge for the qualified organization;
 29 (2) a person authorized to sign on behalf of the municipality;
 30 (3) the operator or the operator's agent;
 31 (4) the licensed pull-tab distributor or the distributor's agent; [OR]

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

2 (6) the licensed electronic gaming machine distributor or the
3 distributor's agent;

4 (7) the licensed electronic gaming machine manufacturer or the
5 manufacturer's agent;

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

7 or

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

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

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

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

14 (a) If a person has been convicted of a violation of a law of this state that is, or
15 a law or ordinance of another jurisdiction that would be if it had been committed in
16 this state, a felony, or a violation of a law or ordinance of this state or another
17 jurisdiction that is a crime involving theft or dishonesty or a violation of gambling
18 laws

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

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

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

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

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

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

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

1 conduct the same type of activity. For the purposes of this subsection, bingo games,
 2 raffles, lotteries, pull-tab games, ice classics, race classics, rain classics, goose
 3 classics, mercury classics, deep freeze classics, canned salmon classics, salmon
 4 classics, king salmon classics, dog mushers' contests, snow machine classics, fish
 5 derbies, and contests of skill are each a different type of activity. **A permittee may**
 6 **not contract with an operator to conduct electronic gaming activities.**

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

8 **Sec. 05.15.124. Municipal regulation of operators or vendors.** A
 9 municipality may by ordinance prohibit an operator, **a pull-tab vendor,** or **an**
 10 **electronic gaming** [A] vendor from conducting activities under this chapter within the
 11 municipality.

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

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

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

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

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

22 (a) The authority to conduct the activity authorized by this chapter is
 23 contingent upon the dedication of the net proceeds of the charitable gaming activity to
 24 the awarding of prizes to contestants or participants and to political, educational, civic,
 25 public, charitable, patriotic, or religious uses in the state. "Political, educational, civic,
 26 public, charitable, patriotic, or religious uses" means uses benefiting persons either by
 27 bringing them under the influence of education or religion or relieving them from
 28 disease, suffering, or constraint, or by assisting them in establishing themselves in life,
 29 or by providing for the promotion of the welfare and well-being of the membership of
 30 the organization within their own community, or through aiding candidates for public
 31 office or groups that support candidates for public office, or by erecting or maintaining

1 public buildings or works, or lessening the burden on government, but does not
2 include

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

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

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

10 (A) to aid candidates for public office or groups that support or
11 oppose candidates for public office;

12 (B) to a political party or to an organization affiliated with a
13 political party; or

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

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

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

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

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

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

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

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

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

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

12 (b) If the department revokes a license or **pull-tab or electronic gaming**
 13 vendor registration under this section, it may prohibit the licensee or **pull-tab or**
 14 **electronic gaming** vendor from reapplying for a license or **pull-tab or electronic**
 15 **gaming** vendor registration for a period of not more than five years. If the department
 16 revokes a permit under this section, it may prohibit the permittee from reapplying for a
 17 permit for a period of not more than one year.

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

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

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

25 (b) With the exception of raffles, lotteries, bingo games, **electronic gaming**
 26 **activities**, pull-tab games, race classics, rain classics, goose classics, mercury classics,
 27 deep freeze classics, dog mushers' contests, snow machine classics, canned salmon
 28 classics, salmon classics, and king salmon classics, an activity may not be licensed
 29 under this chapter unless it existed in the state in substantially the same form and was
 30 conducted in substantially the same manner before January 1, 1959. A snow machine
 31 classic may not be licensed under this chapter unless it has been in existence for at

1 least five years before the licensing.

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

3 (g) A municipality or a qualified organization may award a maximum of
4 \$1,000,000 in prizes each year in activities authorized under this chapter; however, if a
5 municipality or a qualified organization contracts with an operator to conduct on its
6 behalf activities authorized under this chapter, the municipality or qualified
7 organization may award a maximum of \$500,000 in prizes each year. The holders of a
8 multiple-beneficiary permit under AS 05.15.100(d) may award a maximum in prizes
9 each year of \$1,000,000 times the number of holders of the permit for activities
10 authorized under this chapter. In this subsection, "activities authorized under this
11 chapter" means all activities subject to this chapter other than bingo **and electronic**
12 **gaming activities**.

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

14 (e) A distributor may not

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

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

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

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

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

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

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

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

31 **Sec. 05.15.188. Pull-tab sales by pull-tab vendors on behalf of permittees;**

1 **pull-tab vendor registration.** (a) A permittee may contract with a **pull-tab** vendor
2 to sell pull-tabs on behalf of the permittee [,] if the permittee first registers the **pull-**
3 **tab** vendor with the department by applying for registration on a form prescribed by
4 the department and by submitting the registration fee of \$50 for each location at which
5 the **pull-tab** vendor will sell pull-tabs.

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

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

15 (d) A separate endorsement shall be issued for each **pull-tab** vendor location.
16 The permittee shall inform the department when a **pull-tab** vendor with whom the
17 permittee is contracting changes the physical location at which pull-tabs are sold, and
18 shall return to the department all copies of a permit endorsed to a **pull-tab** vendor that
19 is no longer selling pull-tabs on behalf of the permittee. Failure to inform the
20 department of a change in **pull-tab** vendor location, or to return the endorsed copies of
21 a permit to the department after a **pull-tab** vendor change, may constitute grounds for
22 the suspension or revocation of a permittee's permit.

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

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

1 permittee.

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

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

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

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

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

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

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

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

22 (1) contract with electronic gaming vendors to conduct electronic
23 gaming by use of electronic gaming machines;

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

26 (b) To obtain an electronic gaming endorsement under

27 (1) (a)(1) of this section, a permittee shall register each electronic
28 gaming vendor with the department by applying for registration on a form prescribed
29 by the department, by submitting a fee of \$100 for each location at which the
30 electronic gaming vendor will conduct electronic gaming, and by

31 (A) identifying the locations of the electronic gaming

1 machines;

2 (B) identifying the number of electronic gaming machines the
3 permittee will have at each location; and

4 (C) paying an annual fee of \$100 for each electronic gaming
5 machine;

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

8 (A) identify the location of the club and pay a \$100 fee for that
9 location;

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

12 (C) pay an annual fee of \$100 for each electronic gaming
13 machine.

14 (c) A permittee issued an endorsement to conduct electronic gaming activities
15 under

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

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

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

28 (e) A separate endorsement shall be issued for each permittee location or
29 electronic gaming vendor location. The endorsement for a location may not be
30 transferred to another location. The permittee shall inform the department if the
31 permittee or its electronic gaming vendor discontinues conducting electronic gaming.

1 Failure to return the endorsed copies of a permit to the department after a permittee or
 2 an electronic gaming vendor change constitutes grounds for the suspension or
 3 revocation of a permittee's permit.

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

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

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

20 (i) If a permittee

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

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

25 (B) registered electronic gaming vendor shall receive 30
 26 percent of 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; if the machine is located in
 32 a city within an organized borough, 15 percent shall be paid to the city and 10

1 percent to the borough;

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

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

9 (k) An electronic gaming machine may

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

12 (2) only be played during the regular business hours for the location
13 and, if the permittee or electronic gaming vendor is licensed under AS 04.11, during
14 the legal hours of operation allowed by the license and applicable municipal
15 ordinance;

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

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

22 (m) All electronic gaming machines shall be monitored by the permittee or the
23 electronic gaming vendor during business hours. Monitoring shall be accomplished
24 by the physical presence of an employee of the permittee or the electronic gaming
25 vendor or by an employee using video cameras or mirrors and by periodic personal
26 inspections of the machines and the area in which the machines are located.

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

30 (o) If the sale of alcoholic beverages has been prohibited within a municipality
31 under AS 04.11.491, the department may issue an electronic gaming endorsement to a

1 permittee within the municipality that provides the permittee with the authority to
 2 conduct electronic gaming by use of electronic gaming machines in the manner
 3 permittees with club licenses under AS 04.11.110 are authorized to conduct electronic
 4 gaming if the electronic gaming is only conducted within a location into which the
 5 access is restricted to persons 21 years of age or older.

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

10 **Sec. 05.15.310. Electronic gaming machines.** The department may not
 11 approve an electronic gaming machine unless the machine

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

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

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

19 (4) has nonresettable meters housed in a readily accessible locked
 20 machine area that keeps a permanent record of all money inserted into the machine, all
 21 refunds of winnings made by the machine's printer, credits played for electronic
 22 gaming games, and credits won by electronic gaming players;

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

29 (6) has accounting software that keeps an electronic record that
 30 includes total money inserted into the machine, the value of winning tickets claimed
 31 by players, the total electronic gaming credits awarded by an electronic gaming game,

1 and the payback percentages credited players of each electronic gaming game;

2 (7) is linked under a central communications system to provide
3 auditing program information as approved by the department; the communications
4 system approved by the department under this paragraph may not limit participation to
5 only one manufacturer of electronic gaming machines by either the cost of
6 implementing the necessary program modifications to communicate or the inability to
7 communicate with the central communications system; this paragraph does not require
8 that a machine to be approved must be on-line or otherwise in constant communication
9 with a central computer;

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

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

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

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

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

31 (d) An electronic gaming machine manufacturer may distribute electronic

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

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

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

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

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

19 (d) An electronic gaming distributor shall report to the department by the last
 20 business day of each month on each electronic gaming machine and associated
 21 equipment distributed in the preceding month. The report must include the name of
 22 the permittee to whom each electronic gaming machine or associated equipment is
 23 distributed and the serial number of each machine.

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

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

28 (2) sell or lease an electronic gaming machine or associated equipment
 29 to an electronic gaming vendor.

30 **Sec. 05.15.340. Distribution of net income from electronic gaming;**
 31 **appropriations for education.** (a) The department shall immediately revoke the

1 electronic gaming endorsement of a permittee or the electronic gaming registration of
 2 an electronic gaming vendor that fails to pay the following percentages of net machine
 3 income from each electronic gaming machine at the times directed by the department:

4 (1) 60 percent to the permittee or, if the permittee uses an electronic
 5 gaming vendor, 30 percent to the permittee and 30 percent to the electronic gaming
 6 vendor;

7 (2) 15 percent to the state; and

8 (3) 25 percent to the municipality in which the machine is located, or
 9 to the state if the machine is located in the unorganized borough outside of
 10 municipalities; if the machine is located in a city within an organized borough, 15
 11 percent shall be paid to the city and 10 percent to the borough.

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

17 **Sec. 05.15.350. Department to contract.** The department, to the maximum
 18 extent practicable, shall solicit bids and contract for the performance of duties required
 19 to monitor and conduct electronic gaming when the contracting will not jeopardize the
 20 integrity of the gaming and enforcement of the laws of the state.

21 * **Sec. 21.** AS 05.15.620(c) is amended to read:

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

1 **gaming activities**, or pull-tab sales within the boundaries of a municipality and in
2 unincorporated areas within five miles of the boundaries of the municipality or within
3 the perimeter of an established village are void 90 days after the results of the election
4 are certified. A license, **endorsement**, or **pull-tab or electronic gaming** vendor
5 registration that will expire during the 90 days after the results of a local option
6 election under this section are certified is void as of the expiration date.

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

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

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

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

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

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

24 (c) A person

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

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

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

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

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

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

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

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

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

14 (A) conducts electronic gaming activities on behalf of a
15 permittee;

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

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

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

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

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

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

3 (C) is an establishment holding a

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

15 (ii) package store license under AS 04.11.150.

16 * **Sec. 26.** AS 11.66.280(3) is amended to read:

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

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

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

24 **or**

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

27 * **Sec. 27.** AS 29.10.200(51) is amended to read:

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

29 * **Sec. 28.** AS 29.45.650 is amended by adding a new subsection to read:

30 (i) A borough may not levy or collect a sales tax on sales, rents, and services,
 31 or a use tax on the storage, use, or consumption of personal property on electronic

1 gaming machines and electronic gaming. This subsection applies to home rule and
2 general law municipalities.

3 * **Sec. 29.** AS 29.45.700(d) is amended to read:

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

16 * **Sec. 30.** AS 05.15.690(44) is repealed.

17 * **Sec. 31.** The uncodified law of the State of Alaska is amended by adding a new section to
18 read:

19 REGULATIONS. Notwithstanding the effective date of secs. 1 - 30 of this Act, the
20 Department of Revenue shall begin the process under AS 44.62 (Administrative Procedure
21 Act) of adopting regulations to implement this Act so that the regulations can take effect
22 January 1, 2004, or as soon thereafter as is possible.

23 * **Sec. 32.** Except for sec. 31 of this Act, this Act takes effect January 1, 2004.

24 * **Sec. 33.** Section 31 of this Act takes effect immediately under AS 01.10.070(c).