

CS FOR SENATE BILL NO. 78(EDC)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTIETH LEGISLATURE - FIRST SESSION

BY THE SENATE EDUCATION COMMITTEE

Offered: 3/31/17

Referred: Finance

Sponsor(s): SENATORS BISHOP, Hoffman, Stedman, Meyer, Dunleavy, von Imhof, Stevens, Hughes, Micciche

A BILL

FOR AN ACT ENTITLED

1 **"An Act creating the education endowment fund and the dividend lottery fund;**
2 **authorizing contributions from the permanent fund dividend to the dividend lottery**
3 **fund; relating to transfers from the dividend lottery fund and the education endowment**
4 **fund; relating to the definition of 'gambling'; and providing for an effective date."**

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

6 *** Section 1.** AS 11.66.280(3) is amended to read:

7 (3) "gambling" means that a person stakes or risks something of value
8 upon the outcome of a contest of chance or a future contingent event not under the
9 person's control or influence, upon an agreement or understanding that that person or
10 someone else will receive something of value in the event of a certain outcome;
11 "gambling" does not include

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

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

3 (B) playing an amusement device that

4 (i) confers only an immediate right of replay not
5 exchangeable for something of value other than the privilege of
6 immediate replay and does not contain a method or device by which the
7 privilege of immediate replay may be cancelled or revoked;

8 (ii) confers only tickets, credits, allowances, tokens, or
9 anything of value that can be redeemed for toys, candy, or electronic
10 novelties offered at the same facility where the amusement device is
11 located; or

12 (iii) allows a player to manipulate a claw machine or
13 similar device within an enclosure and enables a person to receive
14 merchandise directly from the machine; [OR]

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

17 **(D) the permanent fund dividend drawing authorized**
18 **under AS 43.23.064;**

19 * **Sec. 2.** AS 43.23 is amended by adding new sections to read:

20 **Sec. 43.23.063. Education endowment fund.** (a) The education endowment
21 fund is established as a separate account in the general fund. The fund consists of
22 appropriations from

- 23 (1) contributions to the fund under AS 43.23.064(b);
24 (2) transfers to the fund under AS 43.23.064(c);
25 (3) interest earned on the fund; and
26 (4) any other money appropriated to the fund.

27 (b) The commissioner is the fiduciary of the fund. In managing the fund, the
28 commissioner shall

- 29 (1) have the same powers and duties as provided in AS 37.10.071; and
30 (2) invest the fund in a manner likely to achieve at least a four percent
31 nominal return over a five-year period to meet the objectives of the fund.

1 (c) In managing the fund, the commissioner shall

2 (1) consider the status of the fund's capital and the income generated
3 on both current and probable future bases;

4 (2) determine the appropriate investment objectives;

5 (3) establish investment policies to achieve the objectives; and

6 (4) act only in regard to the best financial interests of the fund.

7 (d) On July 1 of each year, the commissioner shall

8 (1) determine the fund balance for the previously closed fiscal year,
9 including the earnings of the fund; and

10 (2) when the average market value for that fiscal year exceeds
11 \$1,000,000,000, transfer 4.5 percent of the average fiscal-year-end market value of the
12 balance of the fund for the last five fiscal years, including the fiscal year just ended,
13 and including any unrealized gains and losses, to the public education fund established
14 in AS 14.17.300, subject to appropriation.

15 (e) Money appropriated to the fund does not lapse.

16 **Sec. 43.23.064. Dividend lottery fund; dividend contributions to the**
17 **dividend lottery fund; drawing.** (a) The dividend lottery fund is established as an
18 account in the general fund. The commissioner shall manage the fund. Interest and
19 other income received on money in the fund shall be separately accounted for and may
20 be appropriated to the fund. The fund consists of contributions appropriated to the
21 fund under (c) of this section. The commissioner may use the dividend lottery fund,
22 without further appropriation, to pay for prizes as set out in (d) of this section and may
23 use up to two percent of the balance of the fund but not more than \$500,000 from the
24 fund each fiscal year to pay the cost of administering the fund and for promotion and
25 advertisement of the fund. When the balance of the dividend lottery fund exceeds
26 \$500,000,000 at the end of a fiscal year, the commissioner shall transfer the amount
27 above \$500,000,000 to the education endowment fund established in AS 43.23.063.
28 Money contributed to the fund does not lapse.

29 (b) Notwithstanding AS 43.23.069, the department shall provide on the Alaska
30 permanent fund dividend application an option for an applicant who is 18 years of age
31 or older to direct that all or a portion of the applicant's dividend payment be

1 contributed as provided in (c) of this section. A contribution under this section may be
2 \$100 or more, in increments of \$100, up to the total amount of the permanent fund
3 dividend that the applicant is entitled to receive.

4 (c) Of the contributions received in a year under (b) of this section, the
5 legislature may appropriate 25 percent to the education endowment fund established in
6 AS 43.23.063 and 25 percent to the dividend lottery fund. The legislature may
7 appropriate the remaining 50 percent of the contributions received under (b) of this
8 section to the public education fund established in AS 14.17.300. Nothing in this
9 subsection creates a dedicated fund.

10 (d) At the beginning of each year, the commissioner shall conduct a public
11 drawing to award prizes from the dividend lottery fund. Each \$100 contribution to the
12 fund entitles a person to one entry into the drawing. The prizes for the drawing shall
13 be as follows:

14 (1) the first name drawn receives an amount equal to 10 percent of the
15 balance of the dividend lottery fund;

16 (2) the second name drawn receives an amount equal to five percent of
17 the balance of the dividend lottery fund;

18 (3) the third name drawn receives an amount equal to three percent of
19 the balance of the dividend lottery fund; and

20 (4) the fourth name drawn receives an amount equal to two percent of
21 the balance of the dividend lottery fund.

22 * **Sec. 3.** This Act takes effect January 1, 2018.