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1 IN THE HOUSE

BY THOMPSON

2 SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 338  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act establishing a state lottery; and providing  
7 for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. AS 05 is amended by adding a new chapter to read:

10 CHAPTER 18. STATE LOTTERY.

11 ARTICLE 1. ADMINISTRATION.

12 Sec. 05.18.010. CREATION OF CORPORATION. There is created in  
13 the Department of Revenue the Alaska State Lottery Corporation.

14 Sec. 05.18.020. BOARD OF DIRECTORS. (a) The powers of the  
15 corporation are vested in the board of directors. The board consists  
16 of five members who qualify under AS 39.05.100. The governor shall  
17 appoint each member subject to confirmation by the legislature in  
18 joint session under AS 39.05.080. No more than three of the five  
19 members may be members of the same political party. The governor  
20 shall appoint one member to serve as chairperson of the board.

21 (b) Members serve staggered terms of five years. A vacancy on  
22 the board does not impair the authority of the board to exercise all  
23 the powers and perform all the duties of the corporation.

24 (c) A member of the board is entitled to compensation at a rate  
25 of \$150 for each day the member is engaged in the actual performance  
26 of duties as a member of the board. The board may provide by regu-  
27 lation for compensation for partial days during which an appointed  
28 member is engaged in actual performance of duties as a member of the  
29 board.

1 (d) In addition to compensation under (c) of this section, a  
2 member of the board is entitled to per diem and travel allowances  
3 authorized for members of boards and commissions under AS 39.20.180.

4 (e) A member of the board may not have a pecuniary interest in  
5 any contract or agreement entered into by the corporation.

6 Sec. 05.18.030. MEETINGS. (a) The board shall meet at least  
7 quarterly at the call of the chairperson, at the request of a majority  
8 of the members, or at a regularly scheduled timeset by the board.

9 (b) An action of the board is not binding unless taken at a  
10 meeting where three or more of the members are present and vote in  
11 favor of the action.

12 Sec. 05.18.040. DUTIES AND POWERS OF BOARD. (a) The board is  
13 responsible for the management of the corporation but shall delegate  
14 certain powers and duties to the executive director in accordance with  
15 AS 05.18.060 - 05.18.080. In managing the corporation the board shall

16 (1) be responsible for the management of the financial and  
17 legal obligations of the corporation;

18 (2) generally manage the corporation on a self-sustaining  
19 basis;

20 (3) advise and make recommendations to the director about  
21 the operation and administration of the lottery;

22 (4) report to the governor and the legislature each quarter  
23 on the total lottery revenue, prize disbursement and other expenses  
24 for the preceding quarter;

25 (5) report to the governor and the legislature each year  
26 including a full and complete statement of lottery revenue, prize  
27 disbursement and other expenses, and recommendations for changes in  
28 this chapter;

29 (6) report to the governor and the legislature as

1 frequently as the board determines necessary on conclusions from the  
2 analysis of the reaction of state residents to the lottery, and on  
3 matters that require changes in the law to prevent violations or  
4 evasions of this chapter or to correct undesirable conditions in  
5 connection with the administration or operation of the lottery;

6 (7) monitor the operation of the lottery throughout the  
7 state; and

8 (8) study and investigate the operation and administration  
9 of the lottery laws of other states and of federal laws that affect  
10 the lottery.

11 (b) The board may do all things necessary and appropriate to  
12 exercise the corporation's duties and powers under this chapter.

13 Sec. 05.18.050. REGULATIONS BY THE BOARD. The board shall adopt  
14 regulations under the Administrative Procedure Act (AS 44.62) to  
15 establish

16 (1) the manner of payment of prizes to the holders of the  
17 winning tickets or shares;

18 (2) apportionment of the total revenue accruing from the  
19 sale of lottery tickets or shares and from all other sources among

20 (A) the payment of prizes to the holders of winning  
21 tickets or shares;

22 (B) the payment of costs incurred in the operation and  
23 administration of the lottery, including the expenses of the  
24 corporation and any costs resulting from contracts entered into  
25 for promotional, advertising, or operational services or for the  
26 purchase or lease of lottery equipment and materials;

27 (C) transfer to the general fund; and

28 (3) other matters necessary or desirable to carry out this  
29 chapter, to operate the lottery efficiently and economically, and to

1 make the purchase of tickets or shares and the distribution of prizes  
2 convenient.

3           Sec. 05.18.060. EXECUTIVE DIRECTOR AND EMPLOYEES.   (a)   The  
4 corporation shall be under the immediate supervision and direction of  
5 an executive director who is qualified by training and experience to  
6 direct the work of the corporation. The governor shall appoint the  
7 director. The director may not engage in another profession or occu-  
8 pation.

9           (b) Subject to the approval of the board, the director shall  
10 appoint deputies required to carry out the functions and duties of the  
11 corporation. The director shall appoint professional, technical, and  
12 clerical employees necessary to perform the duties of the corporation.

13           (c) The director and other employees of the corporation are in  
14 the exempt service under AS 39.25.110.

15           (d) The corporation may not employ a person who has been con-  
16 victed, including conviction based on a guilty plea or plea of nolo  
17 contendere, of a felony or other crime if the felony or other crime is  
18 substantially related to the qualifications, functions, or duties of  
19 the employee.

20           Sec. 05.18.070. DUTIES OF DIRECTOR. The director shall

- 21           (1) supervise and administer the operation of the lottery;  
22           (2) act as secretary to the board;  
23           (3) license agents to sell lottery tickets;  
24           (4) meet at least quarterly with the board on the operation  
25 and administration of the lottery;  
26           (5) make available for inspection by the board, upon re-  
27 quest, all books, records, files, and other information and documents  
28 of the corporation;  
29           (6) advise the board and make recommendations to improve

1 the operation and administration of the lottery;

2 (7) suspend or revoke a license issued under this chapter  
3 for a violation of this chapter or the regulations adopted under this  
4 chapter;

5 (8) subject to the approval of the board enter into con-  
6 tracts for the operation and promotion of the lottery; and

7 (9) provide each month to the board a full and complete  
8 statement of the lottery revenue, prize disbursements and other ex-  
9 penses for the preceding month.

10 Sec. 05.18.080. REGULATIONS BY DIRECTOR. The director shall  
11 adopt regulations under the Administrative Procedure Act (AS 44.62) to  
12 establish the

13 (1) type of lottery to be conducted;

14 (2) price of tickets or shares in the lottery;

15 (3) numbers and sizes of the prizes for the winning tickets  
16 or shares;

17 (4) manner of selecting the winning tickets or shares;

18 (5) frequency of the drawings or selections of winning  
19 tickets or shares;

20 (6) type and number of locations where tickets or shares  
21 may be sold;

22 (7) method to be used in selling tickets or shares;

23 (8) licensing of agents to sell tickets or shares; and

24 (9) manner and amount of compensation to be paid licensed  
25 sales agents.

26 Sec. 05.18.090. SUBPOENAS. (a) The director or the board may  
27 subpoena witnesses and documents in a matter over which the corpo-  
28 ration has jurisdiction, control or supervision. The director or the  
29 board may administer oaths and affirmations to persons whose testimony

1 is required.

2 (b) If a person fails to obey a subpoena, or if a person refuses  
3 to answer a relevant question or to exhibit a document when ordered to  
4 do so by the director or the board, the director or the board may  
5 apply to the superior court for an order directing the person to  
6 comply with the subpoena or the order. The court may order the person  
7 to comply.

8 ARTICLE 2. SALES AGENTS.

9 Sec. 05.18.100. LICENSING OF LOTTERY SALES AGENTS. (a) A  
10 person who wishes to be licensed as a lottery sales agent shall apply  
11 on a form provided by the corporation.

12 (b) Before issuing a lottery sales agent license the director  
13 shall consider

14 (1) the financial responsibility and security of the appli-  
15 cant and the applicant's business or activity;

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

18 (3) the ability of the applicant to promote the sale of  
19 lottery tickets or shares;

20 (4) the sufficiency of existing licenses to serve the  
21 public convenience;

22 (5) the volume of expected sales; and

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

24 (c) The director may not issue a license to a person who

25 (1) would be engaged in business exclusively as a lottery  
26 sales agent; or

27 (2) is under the age of 18.

28 Sec. 05.18.110. LICENSE. A lottery sales agent license is valid  
29 for one year and may be renewed. The director may not charge a fee

1 for licensing or license renewal.

2 Sec. 05.18.120. REVOCATION OF LICENSES. (a) The director shall  
3 suspend or revoke the license of a lottery sales agent who violates  
4 AS 05.18.310.

5 (b) The director may suspend or revoke the license of a lottery  
6 sales agent who violates a provision of this chapter other than  
7 AS 05.18.310 or a regulation adopted under this chapter.

8 (c) The director shall conduct proceedings to suspend or revoke  
9 a lottery sales agent license issued under this chapter under the  
10 Administrative Procedure Act (AS 44.62).

11 Sec. 05.18.130. COMPENSATION OF LOTTERY SALES AGENT. (a) The  
12 director shall establish commissions for selling lottery tickets and  
13 for cashing winning lottery tickets. The director may establish bonus  
14 or incentive awards.

15 (b) When establishing the compensation to be paid lottery sales  
16 agents the director shall consider

17 (1) the time and the cost of overhead necessary to make the  
18 tickets or shares available at convenient times and for sufficient  
19 hours to accommodate the public;

20 (2) the time necessary for a lottery sales agent to keep  
21 adequate records of ticket sales and to prepare the deposits and  
22 reports required under AS 05.18.140;

23 (3) other criteria the director considers relevant.

24 Sec. 05.18.140. DEPOSIT OF RECEIPTS AND REPORTS. (a) Each  
25 lottery sales agent shall deposit to the credit of the state in a bank  
26 designated by the director all money received by the agent from the  
27 sale of lottery tickets or shares, less the amount retained as compen-  
28 sation for the sale of the tickets or shares.

29 (b) Each lottery sales agent shall file with the director on a

1 form provided by the corporation weekly reports of the receipts and  
2 transactions in the sale of lottery tickets.

3 (c) The director may impose a service charge on a sales agent if  
4 the payor bank dishonors

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

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

10 (d) The director may charge a sales agent with interest on money  
11 that is not paid to the state within 10 days after the due date and  
12 may impose an additional service charge in an amount to cover adminis-  
13 trative costs if the debt is referred for collection.

14 (e) The amount, including any interest or service charge, due to  
15 the corporation from a sales agent is a lien on the property of the  
16 agent at the time that the corporation files a claim of lien in the  
17 recorder's office of the recording district of the principal place of  
18 business of the agent.

19 Sec. 05.18.150. BOND. (a) Each applicant for a lottery sales  
20 agent license shall, at the time of applying for the license, file  
21 with the corporation and maintain while licensed a bond with a corpo-  
22 rate surety qualified to do business in the state in an amount to be  
23 determined by the board running to the state conditioned upon the  
24 applicant's promise to pay

25 (1) all sales receipts due the state under this chapter;

26 (2) all amounts that may be adjudged against the applicant  
27 by reason of the applicant's negligence as a lottery sales agent or  
28 the applicant's violation of this chapter or the regulations adopted  
29 under this chapter.

1 (b) The bond required by this section remains in effect until  
2 cancelled by action of the surety, the principal, or the corporation.

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

5 ARTICLE 3. PRIZES.

6 Sec. 05.18.200. ASSIGNMENT OF PRIZES. A person may not assign a  
7 right to a prize. However, a prize may be paid to a person other than  
8 the prize winner under a court order or to the estate of a deceased  
9 prize winner. The state is discharged of all further liability when a  
10 prize has been paid under this section.

11 Sec. 05.18.210. PAYMENT OF PRIZES TO PERSONS UNDER 18 YEARS.

12 (a) If a person entitled to a prize is under the age of 18 years, and  
13 if the prize is \$5,000 or less, the director may deliver the prize to  
14 an adult member of the minor's family, or to a guardian of the minor,  
15 in the form of a check or draft payable to the order of the minor. If  
16 the prize is more than \$5,000, the director may deliver the prize by  
17 depositing the amount of the prize in a bank to the credit of an adult  
18 member of the minor's family, or a guardian of the minor, as custodian  
19 for the minor. The person named as custodian shall have the same  
20 duties and powers as a person designated as a custodian under  
21 AS 45.60.

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

24 (c) In this section, the terms "bank", "guardian" and "member"  
25 of a "minor's family" have the meanings given in AS 45.60.091.

26 Sec. 05.18.220. UNCLAIMED PRIZE MONEY. The director shall  
27 retain unclaimed prize money for the person entitled to it for one  
28 year after the prize is awarded. If the winner does not claim the  
29 prize money within the year, the corporation shall allocate a

1 sufficient portion of the money to award additional prizes or increase  
2 the amount of prizes to be awarded to comply with its policy concern-  
3 ing the percentage of prize awards to be paid and shall return the  
4 balance to the general fund.

5 ARTICLE 4. MISCELLANEOUS PROVISIONS.

6 Sec. 05.18.300. AUDIT. The board shall have an audit of the  
7 books and accounts of the corporation made at least once in each year  
8 by certified public accountants. The board may have special audits  
9 performed at any time on its own motion or at the request of the  
10 director. The board shall file a copy of each audit with the commis-  
11 sioner of revenue and the legislature.

12 Sec. 05.18.310. PROHIBITED ACTS. (a) A person may not

13 (1) act as a lottery sales agent or sell a lottery ticket  
14 or share unless licensed under this chapter;

15 (2) sell a lottery ticket or share at a price greater than  
16 that fixed by the corporation;

17 (3) sell or offer to sell a lottery ticket or share to a  
18 person under the age of 18;

19 (4) knowingly present a counterfeit or altered lottery  
20 ticket or share for payment or transfer a counterfeit or altered  
21 lottery ticket or share to another person to present for payment;

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

24 (6) impersonate a lottery representative.

25 (b) An officer, employee, or contractor of the corporation, the  
26 governor, or a lottery sales agent may not purchase a ticket or share  
27 or receive a lottery prize.

28 (c) A lottery sales agent may not wilfully withhold funds owed  
29 to the lottery.

1 (d) Nothing in this section prohibits a person from giving a  
2 ticket or share to another person of any age.

3 Sec. 05.18.320. ASSIGNMENT OF CONTRACTS. A person who enters  
4 into a contract under this chapter may not assign the contract without  
5 the approval of the board.

6 Sec. 05.18.330. PENALTY. A person that violates AS 05.18.140 -  
7 05.18.200, 05.18.310 or 05.18.320 is guilty of a class C felony.

8 Sec. 05.18.340. APPLICABILITY OF OTHER LAWS. No other law  
9 regarding the sale of lottery tickets or the administration of a  
10 lottery applies to the sale of lottery tickets or shares under this  
11 chapter.

12 ARTICLE 5. GENERAL PROVISIONS.

13 Sec. 05.18.900. DEFINITIONS. In this chapter, unless the con-  
14 text requires otherwise,

15 (1) "agent" means a person licensed as a lottery sales  
16 agent under this chapter;

17 (2) "board" means the board of directors of the corpo-  
18 ration;

19 (3) "corporation" means the Alaska State Lottery Corpo-  
20 ration;

21 (4) "director" means the executive director of the corpo-  
22 ration;

23 (5) "lottery" or "state lottery" means the lottery estab-  
24 lished and operated under this chapter;

25 (6) "person" has the meaning given in AS 01.10.060 and also  
26 includes an estate, receiver, trustee, assignee, referee, or other  
27 person acting in a fiduciary or representative capacity, whether  
28 appointed by a court or otherwise, and a department, commission,  
29 agency or instrumentality of the state, including municipalities and

1 the agencies and instrumentalities of them.

2 \* Sec. 2. AS 39.25.110(11) is amended by adding a new subparagraph to  
3 read:

4 (G) Alaska State Lottery Corporation;

5 \* Sec. 3. AS 39.50.200(b) is amended by adding a new paragraph to read:

6 (48) Alaska State Lottery Corporation (AS 05.18).

7 \* Sec. 4. The terms of the initial members of the State Lottery Corpo-  
8 ration appointed under AS 05.18.020 shall be determined by the governor  
9 under AS 39.05.060(c)(2).

10 \* Sec. 5. This Act takes effect immediately in accordance with AS 01.-  
11 10.070(c).