

Original sponsor(s): REP. BOUCHER, Boyer, Shultz, Zawacki

1 IN THE HOUSE BY THE C&RA COMMITTEE

2 CS FOR HOUSE BILL NO. 512 (C&RA)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to charitable gaming; and providing  
7 for an effective date."

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

9 \* Section 1. AS 05.15.060 is amended to read:

10 Sec. 05.15.060. REGULATIONS. The department shall adopt regula-  
11 tions under the Administrative Procedure Act (AS 44.62) necessary to  
12 carry out this chapter covering, but not limited to,

13 (1) the issuance, renewal, and revocation of permits, [AND]  
14 licenses, and vendor registrations;

15 (2) a method of ascertaining net proceeds, the determina-  
16 tion of items of expense that may be incurred or paid, and the limita-  
17 tion of the amount of the items of expense to prevent the proceeds  
18 from the activity permitted from being diverted to noncharitable,  
19 noneducational, nonreligious, or profit-making organizations, individ-  
20 uals, or groups;

21 (3) the immediate revocation of permits, [AND] licenses,  
22 and vendor registrations authorized under this chapter if this chapter  
23 or regulations adopted under it are violated;

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

27 (5) the investigation of permittees, licensees, registered  
28 vendors, and their employees, including the fingerprinting of those  
29 permittees, licensees, registered vendors, and employees whom the

1 commissioner considers it advisable to fingerprint;

2 (6) exclusion from participation as a permittee, licensee,  
3 registered vendor, or employee of a permittee [OR] licensee, or regis-  
4 tered vendor, of a person convicted of, in prison for, or on parole  
5 for a felony within the preceding five years, or convicted of a crime  
6 involving theft or dishonesty or of a violation of a municipal, state,  
7 or federal gambling law;

8 (7) the method and manner of conducting authorized activ-  
9 ities and awarding of prizes or awards, and the equipment that may be  
10 used;

11 (8) the number of activities that may be held, operated, or  
12 conducted under a permit during a specified period; however, the  
13 department may not allow more than 14 bingo sessions a month and 35  
14 bingo games a session to be conducted under a permit;

15 (9) a method of accounting for receipts and disbursements  
16 by operators, including the keeping of records and requirements for  
17 the deposit of all receipts in a bank;

18 (10) the disposition of funds in possession of a permittee,  
19 [OR] a person, municipality, or qualified organization that possesses  
20 an operator's license, or a registered vendor at the time a permit,  
21 [OR] a license, or a vendor registration is surrendered, revoked, or  
22 invalidated;

23 (11) restrictions on the participation by employees of the  
24 Department of Fish and Game in salmon classics;

25 (12) other matters the commissioner considers necessary to  
26 carry out this chapter or protect the best interest of the public.

27 \* Sec. 2. AS 05.15.070 is amended to read:

28 Sec. 05.15.070. EXAMINATION OF BOOKS AND RECORDS. The commis-  
29 sioner may examine or have examined the books and records of a

1 commissioner considers it advisable to fingerprint;

2 (6) exclusion from participation as a permittee, licensee,  
3 registered vendor, or employee of a permittee [OR] licensee, or regis-  
4 tered vendor, of a person convicted of, in prison for, or on parole  
5 for a felony within the preceding five years, or convicted of a crime  
6 involving theft or dishonesty or of a violation of a municipal, state,  
7 or federal gambling law;

8 (7) the method and manner of conducting authorized activ-  
9 ities and awarding of prizes or awards, and the equipment that may be  
10 used;

11 (8) the number of activities that may be held, operated, or  
12 conducted under a permit during a specified period; however, the  
13 department may not allow more than 14 bingo sessions a month and 35  
14 bingo games a session to be conducted under a permit;

15 (9) a method of accounting for receipts and disbursements  
16 by operators, including the keeping of records and requirements for  
17 the deposit of all receipts in a bank;

18 (10) the disposition of funds in possession of a permittee,  
19 [OR] a person, municipality, or qualified organization that possesses  
20 an operator's license, or a registered vendor at the time a permit,  
21 [OR] a license, or a vendor registration is surrendered, revoked, or  
22 invalidated;

23 (11) restrictions on the participation by employees of the  
24 Department of Fish and Game in salmon classics;

25 (12) other matters the commissioner considers necessary to  
26 carry out this chapter or protect the best interest of the public.

27 \* Sec. 2. AS 05.15.070 is amended to read:

28 Sec. 05.15.070. EXAMINATION OF BOOKS AND RECORDS. The commis-  
29 sioner may examine or have examined the books and records of a

1        permittee, an operator, a registered vendor, or a person licensed to  
2        manufacture or to distribute pull-tab games in the state. The commis-  
3        sioner may issue subpoenas for the attendance of witnesses and the  
4        production of books, records, and other documents.

5        \* Sec. 3. AS 05.15.115(b) is amended to read:

6                (b) The contract between an authorizing permittee and an opera-  
7        tor must include the amount and form of compensation to be paid to the  
8        operator, the term of the contract, the activities to be conducted by  
9        the operator on behalf of the permittee, the location where the activ-  
10       ities are to be conducted, the name and address of the member in  
11       charge, and other provisions the department may require. The contract  
12       must provide that an operator conducting a pull-tab game on behalf of  
13       a permittee shall return no less than 40 percent of the ideal net to  
14       the permittee.

15       \* Sec. 4. AS 05.15.128(a) is amended to read:

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

18                        (1) report an adjusted gross income of at least 15 percent  
19        of gross income for two consecutive quarters based on the total opera-  
20        tion of the operator; [OR]

21                        (2) pay to each authorizing permittee for two consecutive  
22        quarters at least 15 percent of the adjusted gross income, as de-  
23        termined under (1) of this subsection, received from activities other  
24        than pull-tab games conducted on behalf of the authorizing permittee;  
25        or

26                        (3) pay to each authorizing permittee for two consecutive  
27        quarters at least 40 percent of the ideal net received from pull-tab  
28        games conducted on behalf of the authorizing permittee.

29        \* Sec. 5. AS 05.15.170 is repealed and reenacted to read:

1           Sec. 05.15.170. SUSPENSION OR REVOCATION OF PERMIT, LICENSE, OR  
2 VENDOR REGISTRATION. (a) The commission may suspend or revoke a  
3 permit, license, or vendor registration, after giving notice to and an  
4 opportunity to be heard by the permittee, licensee, or vendor, if the  
5 permittee, licensee, or vendor

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

8           (2) breaches a contractual agreement with a permittee,  
9 licensee, or registered vendor;

10           (3) is convicted of a felony, of a crime involving theft or  
11 dishonesty, or of a violation of a municipal, state, or federal gam-  
12 bling law; for the purposes of this paragraph, a permittee, licensee,  
13 or registered vendor that is not a natural person is considered con-  
14 victed if an owner or manager of the permittee, licensee, or vendor is  
15 convicted; or

16           (4) knowingly submits false information to the department  
17 or, in the case of a registered vendor, to a permittee or operator  
18 when the vendor knows that the false information will be submitted to  
19 the department as part of an application for registration.

20           (b) If the department revokes a permit, license, or vendor  
21 registration under this section, it may prohibit the permittee, li-  
22 censee, or vendor from reapplying for a permit, license, or vendor  
23 registration for a period of up to five years.

24 \* Sec. 6. AS 05.15.180(g) is amended to read:

25           (g) A permittee [MUNICIPALITY OR A QUALIFIED ORGANIZATION] may  
26 award a maximum of \$1,000,000 in prizes each year in activities au-  
27 thorized under this chapter [; HOWEVER, IF A MUNICIPALITY OR A QUALI-  
28 FIED ORGANIZATION CONTRACTS WITH AN OPERATOR TO CONDUCT ON ITS BEHALF  
29 ACTIVITIES AUTHORIZED UNDER THIS CHAPTER, THE MUNICIPALITY OR

1 QUALIFIED ORGANIZATION MAY AWARD A MAXIMUM OF \$500,000 IN PRIZES EACH  
2 YEAR]. In this subsection, "activities authorized under this chapter"  
3 means all activities subject to this chapter other than bingo.

4 \* Sec. 7. AS 05.15.183 is amended by adding a new subsection to read:

5 (e) A distributor may not

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

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

9 (3) deliver a pull-tab series to a vendor location; or

10 (4) hold a permit or an operator's license under this  
11 chapter.

12 \* Sec. 8. AS 05.15.187 is amended by adding a new subsection to read:

13 (h) An owner, manager, or employee of a person holding a permit  
14 or license under this chapter, or registered under this chapter as a  
15 vendor, may not purchase a pull-tab from any pull-tab series manu-  
16 factured, distributed, or sold by the permittee, licensee, or regis-  
17 tered vendor. In this subsection, "employee" includes a person work-  
18 ing without compensation.

19 \* Sec. 9. AS 05.15 is amended by adding new sections to article 2 to  
20 read:

21 Sec. 05.15.188. PULL-TAB SALES BY VENDORS ON BEHALF OF PERMIT-  
22 TEES AND OPERATORS; VENDOR REGISTRATION. (a) A permittee or operator  
23 may contract with a vendor to sell pull-tabs on behalf of the permit-  
24 tee or operator, if the permittee or operator first registers the  
25 vendor with the department by applying for registration on a form pre-  
26 scribed by the department and by submitting the registration fee of  
27 \$50 for each location at which the vendor will sell pull-tabs.

28 (b) The department shall approve or disapprove an initial vendor  
29 registration request within 10 working days of receipt of the

1 registration form from a permittee or operator.

2 (c) Upon approval of the vendor registration, the department  
3 shall issue an endorsement to the permittee's permit or the operator's  
4 license that authorizes the conduct of pull-tab sales at that vendor  
5 location.

6 (d) The endorsement issued under (c) of this section is an  
7 extension of the permittee's or operator's privilege under AS 05.15.-  
8 100 to conduct pull-tab sales in this state. A vendor may not sell a  
9 pull-tab series until the permit or license containing the endorsement  
10 for the new vendor location has been posted by the permittee or opera-  
11 tor in the registered vendor establishment. The endorsed permit or  
12 license must be clearly visible to the gaming public.

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

23 (f) At the time that a permittee or operator annually renews its  
24 permit or license, it shall also renew the registration of all loca-  
25 tions where a vendor is selling pull-tabs on the permittee's or opera-  
26 tor's behalf and shall pay a registration fee of \$50 for each vendor  
27 location.

28 (g) A permittee or operator that uses a vendor to sell pull-tabs  
29 on its behalf shall enter into a written contract with that vendor.

1 The department may inspect this contract. If the contract contains  
2 provisions that violate this chapter or the regulations adopted under  
3 it, the department may declare the contract void, and may suspend or  
4 revoke the registration of the vendor and the license of the operator  
5 or the permit of the permittee.

6 (h) A person, other than a permittee's member-in-charge or an  
7 operator, may not directly supply a pull-tab series to a registered  
8 vendor for sale by that vendor on behalf of the permittee or operator.  
9 A vendor may not acquire a series from a licensed distributor.

10 (i) A permittee or operator may not compensate a vendor for  
11 selling a series of pull-tabs on the permittee's or operator's behalf  
12 in an amount greater than 25 percent of the ideal net.

13 (j) An amount equal to the ideal net less the compensation paid  
14 to the vendor shall be paid by the vendor within 30 days of the date  
15 that the member in charge or operator delivers a pull-tab series to  
16 the vendor for sale. The amount required to be paid by the vendor  
17 under this subsection must be paid by check and shall be deposited by  
18 the permittee or operator directly into its gaming checking account.

19 (k) A vendor may not enter into a contract with a permittee to  
20 sell pull-tabs for compensation if

21 (1) the permittee is a qualified organization, and the  
22 owner or manager of the vendor is a member of the governing body of  
23 the organization, or is the organization's designated member in charge  
24 under AS 05.15.112; or

25 (2) the permittee is a municipality, and the owner or  
26 manager of the vendor is an elected official of the municipality or is  
27 employed by the municipality in a managerial position.

28 Sec. 05.15.189. JAR TICKETS PROHIBITED. Jar tickets may not be  
29 manufactured, distributed, or sold in the state. "Jar ticket" means a

1 pull-tab measuring less than two and one-fourth inches by one and  
2 one-fourth inches.

3 \* Sec. 10. AS 05.15.188(g) is repealed and reenacted to read:

4 (g) At the time that a permittee or operator annually renews its  
5 permit or license, it shall also renew the registration of all loca-  
6 tions where a vendor is selling pull-tabs on the permittee's or opera-  
7 tor's behalf and shall pay a registration fee of \$50 for each vendor  
8 location. The permittee or operator shall also forward, with each  
9 vendor registration renewal, that vendor's annual payment of the  
10 assessment to the charitable gaming surety fund.

11 \* Sec. 11. AS 05.15.188 is amended by adding a new subsection to read:

12 (m) The vendor registration required by (a) of this section  
13 shall be accompanied by payment of the vendor's assessment to the  
14 charitable gaming surety fund under AS 05.15.230. The assessment  
15 amount shall be set by the department by regulation and may not exceed  
16 \$100. The payment shall be drawn on the checking account of the  
17 vendor and may not be paid by the permittee or operator on the ven-  
18 dor's behalf.

19 \* Sec. 12. AS 05.15 is amended by adding a new section to read:

20 Sec. 05.15.195. ORDER PROHIBITING ACTION IN VIOLATION OF CHAP-  
21 TER. (a) If the commissioner determines that a person has engaged in  
22 an act or practice in violation of this chapter or a regulation  
23 adopted under this chapter, the commissioner may, after giving reason-  
24 able notice to the person and an opportunity for the person to be  
25 heard, issue an order prohibiting the violation by the person. The  
26 order remains in effect until the person has submitted evidence accep-  
27 table to the commissioner showing that the violation has been cor-  
28 rected.

29 (b) If the public interest requires, the commissioner may issue

1 an emergency order prohibiting an act or practice in violation of this  
2 chapter or a regulation adopted under this chapter without notice to  
3 or an opportunity to be heard by the person affected by the order.  
4 The commissioner shall immediately serve the person with a copy of the  
5 emergency order. An emergency order expires 60 days after the date it  
6 is issued, if the person affected by the order requests a hearing  
7 within 15 days of receipt of the order. If the person does not re-  
8 quest a hearing within 15 days of receipt of the emergency order, the  
9 order becomes permanent. Following a hearing, the commissioner may  
10 rescind, modify, or make permanent the emergency order.

11 \* Sec. 13. AS 05.15.200(b) is amended to read:

12 (b) A person who, with the intent to mislead a public servant in  
13 the performance of the public servant's duty, submits a false state-  
14 ment in an application for a permit, license, or vendor registration  
15 under this chapter [,] is guilty of unsworn falsification.

16 \* Sec. 14. AS 05.15.210 is amended by adding new paragraphs to read:

17 (35) "ideal net" means an amount equal to the total amount  
18 of receipts that would be received if every individual pull-tab ticket  
19 in a series were sold at face value, less the prizes to be awarded for  
20 that series;

21 (36) "permittee" means a municipality or a qualified orga-  
22 nization that holds a valid permit under AS 05.15.100;

23 (37) "vendor" means a business whose primary activity is not  
24 regulated by this chapter but that is engaged in the sale of pull-tabs  
25 on behalf of a permittee or operator, holds a business license under  
26 AS 43.70, and is

27 (A) a retail establishment;

28 (B) an eating establishment; or

29 (C) an establishment licensed under AS 04.11.

1     \* Sec. 15. Sections 10 and 11 of this Act take effect on the effective  
2 date of an Act establishing a charitable gaming surety fund that is enacted  
3 by the Sixteenth Alaska State Legislature.

4     \* Sec. 16. Except for secs. 10 and 11, this Act takes effect immediate-  
5 ly under AS 01.10.070(c).