

Original sponsor(s): Finance Committee

1 IN THE SENATE BY THE JUDICIARY COMMITTEE  
2 CS FOR SENATE BILL NO. 501 (Judiciary)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act licensing and regulating pull-tab vendors;  
7 prohibiting certain conduct by charitable gaming  
8 licensees and permittees and their agents; relating  
9 to charitable gaming awards, contracts between opera-  
10 tors and permittees, and to the enforcement of chari-  
11 table gaming laws; and providing for an effective  
12 date."

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

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

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

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

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

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

29 (4) the requiring of detailed, sworn, financial reports of

1 operations from permittees and licensees including detailed statements  
2 of receipts and payments;

3 (5) the investigation of permittees, licensees, registered  
4 vendors, and their employees, including the fingerprinting of those  
5 permittees, licensees, registered vendors, and employees whom the  
6 commissioner considers it advisable to fingerprint;

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

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

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

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

23 (10) the disposition of funds in possession of a permittee,  
24 [OR] a person, municipality, or qualified organization that possesses  
25 an operator's license, or a registered vendor at the time a permit,  
26 [OR] a license, or a vendor registration is surrendered, revoked, or  
27 invalidated;

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

1           (12) the minimum percentage of the ideal net that an opera-  
2 tor conducting a pull-tab game on behalf of a permittee must by  
3 contract agree to return to the permittee;

4           (13) other matters the commissioner considers necessary to  
5 carry out this chapter or protect the best interest of the public.

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

7           Sec. 05.15.070. EXAMINATION OF BOOKS AND RECORDS. The commis-  
8 sioner may examine or have examined the books and records of a per-  
9 mittee, an operator, a registered vendor, or a person licensed to  
10 manufacture or to distribute pull-tab games in the state. The commis-  
11 sioner may issue subpoenas for the attendance of witnesses and the  
12 production of books, records, and other documents.

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

14           (b) The contract between an authorizing permittee and an opera-  
15 tor must include the amount and form of compensation to be paid to the  
16 operator, the term of the contract, the activities to be conducted by  
17 the operator on behalf of the permittee, the location where the activ-  
18 ities are to be conducted, the name and address of the member in  
19 charge, and other provisions the department may require. If the  
20 contract is for the conduct of a pull-tab game, it must include a  
21 provision that the operator will return to the permittee at least the  
22 percentage of the ideal net required under regulations issued by the  
23 department.

24 \* Sec. 4. AS 05.15.124 is amended to read:

25           Sec. 05.15.124. MUNICIPAL REGULATION OF OPERATORS. A munici-  
26 pality may by ordinance prohibit an operator or a vendor from conduct-  
27 ing activities under this chapter within the municipality.

28 \* Sec. 5. AS 05.15.128(a) is amended to read:

29           (a) The department shall revoke the license of an operator who

1 does not

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

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

10 (3) pay to each authorizing permittee for two consecutive  
11 quarters a percentage of the ideal net received from pull-tab games  
12 conducted on behalf of the authorizing permittee that is equal to or  
13 greater than the percentage required under regulations adopted by the  
14 department.

15 \* Sec. 6. AS 05.15.170 is repealed and reenacted to read:

16 Sec. 05.15.170. SUSPENSION OR REVOCATION OF PERMIT, LICENSE, OR  
17 VENDOR REGISTRATION. (a) The commission may suspend or revoke a  
18 permit, license, or vendor registration, after giving notice to and an  
19 opportunity to be heard by the permittee, licensee, or vendor, if the  
20 permittee, licensee, or vendor

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

23 (2) breaches a contractual agreement with a permittee,  
24 licensee, or registered vendor;

25 (3) is convicted of a felony, of a crime involving theft or  
26 dishonesty, or of a violation of a municipal, state, or federal gam-  
27 bling law; for the purposes of this paragraph, a permittee, licensee,  
28 or registered vendor that is not a natural person is considered con-  
29 victed if an owner or manager of the permittee, licensee, or vendor is

1 convicted; or

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

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

10 \* Sec. 7. AS 05.15.180(g) is amended to read:

11 (g) A permittee [MUNICIPALITY OR A QUALIFIED ORGANIZATION] may  
12 award a maximum of \$1,000,000 in prizes each year in activities au-  
13 thorized under this chapter; [HOWEVER, IF A MUNICIPALITY OR A QUALI-  
14 FIED ORGANIZATION CONTRACTS WITH AN OPERATOR TO CONDUCT ON ITS BEHALF  
15 ACTIVITIES AUTHORIZED UNDER THIS CHAPTER, THE MUNICIPALITY OR QUALI-  
16 FIED ORGANIZATION MAY AWARD A MAXIMUM OF \$500,000 IN PRIZES EACH  
17 YEAR]. In this subsection, "activities authorized under this chapter"  
18 means all activities subject to this chapter other than bingo.

19 \* Sec. 8. AS 05.15.183 is amended by adding a new subsection to read:

20 (e) A distributor may not  
21 (1) take an order for the purchase of a pull-tab series  
22 from a vendor;  
23 (2) sell a pull-tab series to a vendor; or  
24 (3) deliver a pull-tab series to a vendor location.

25 \* Sec. 9. AS 05.15.187 is amended by adding a new subsection to read:

26 (h) An owner, manager, or employee of a person holding a permit  
27 or license under this chapter, or registered under this chapter as a  
28 vendor, may not purchase a pull-tab from any pull-tab series manu-  
29 factured, distributed, or sold by the permittee, licensee, or

1 registered vendor.

2 \* Sec. 10. AS 05.15 is amended by adding a new section to article 2 to  
3 read:

4 Sec. 05.15.188. PULL-TAB SALES BY VENDORS ON BEHALF OF PERMIT-  
5 TEES AND OPERATORS; VENDOR REGISTRATION. (a) A permittee or operator  
6 may contract with a vendor to sell pull-tabs on behalf of the permit-  
7 tee or operator, if the permittee or operator first registers the  
8 vendor with the department by applying for registration on a form pre-  
9 scribed by the department and by submitting the registration fee of  
10 \$50 for each location at which the vendor will sell pull-tabs. If a  
11 vendor location is within the boundaries of a municipality, the per-  
12 mittee or operator shall, concurrently with applying for registration  
13 with the department, submit a copy of the application form to the  
14 governing body of the municipality.

15 (b) The department shall approve or disapprove an initial vendor  
16 registration request within 10 working days of receipt of the regis-  
17 tration form from a permittee or operator.

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

22 (d) The endorsement issued under (c) of this section is an  
23 extension of the permittee's or operator's privilege under AS 05.15.-  
24 100 to conduct pull-tab sales in this state. A vendor may not sell a  
25 pull-tab series until the permit or license containing the endorsement  
26 for the new vendor location has been posted by the permittee or opera-  
27 tor in the registered vendor establishment. The endorsed permit or  
28 license must be clearly visible to the gaming public.

29 (e) A separate endorsement shall be issued for each vendor

1 location. The permittee or operator shall inform the department when  
2 a vendor with whom the permittee or operator is contracting changes  
3 the physical location at which pull-tabs are sold, and shall return to  
4 the department the endorsed permit or license of a vendor that is no  
5 longer selling pull-tabs on behalf of the permittee or operator.  
6 Failure to inform the department of a change in vendor location, or to  
7 return the endorsed permit or license to the department after a vendor  
8 change, may constitute grounds for the suspension or revocation of a  
9 permittee's permit or an operator's license.

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

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

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

26 (i) If a permittee contracts with a vendor under (a) of this  
27 section, the contract must provide that the permittee shall receive no  
28 less than 70 percent of the ideal net.

29 (j) An amount equal to the ideal net less the compensation paid

1 to the vendor shall be paid by the vendor within 30 days of the date  
2 that the member in charge or operator delivers a pull-tab series to  
3 the vendor for sale. The amount required to be paid by the vendor  
4 under this subsection must be paid by check and shall be deposited by  
5 the permittee or operator directly into its gaming checking account.

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

8 (1) the permittee is a qualified organization, and the  
9 owner or manager of the vendor is a member of the governing body of  
10 the organization, or is the organization's designated member in charge  
11 under AS 05.15.112; or

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

15 \* Sec. 11. AS 05.15.188(g) is repealed and reenacted to read:

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

23 \* Sec. 12. AS 05.15.188 is amended by adding a new subsection to read:

24 (m) The vendor registration required by (a) of this section  
25 shall be accompanied by payment of the vendor's assessment to the  
26 charitable gaming surety fund under AS 05.15.230. The assessment  
27 amount shall be set by the department by regulation and may not exceed  
28 \$100. The payment shall be drawn on the checking account of the  
29 vendor and may not be paid by the permittee or operator on the

1 vendor's behalf.

2 \* Sec. 13. AS 05.15 is amended by adding a new section to read:

3 Sec. 05.15.195. ORDER PROHIBITING ACTION IN VIOLATION OF CHAP-  
4 TER. (a) If the commissioner determines that a person has engaged in  
5 an act or practice in violation of this chapter or a regulation adopt-  
6 ed under this chapter, the commissioner may, after giving reasonable  
7 notice to the person and an opportunity for the person to be heard,  
8 issue an order prohibiting the violation by the person. The order  
9 remains in effect until the person has submitted evidence acceptable  
10 to the commissioner showing that the violation has been corrected.

11 (b) If the public interest requires, the commissioner may issue  
12 an emergency order prohibiting an act or practice in violation of this  
13 chapter or a regulation adopted under this chapter without notice to  
14 or an opportunity to be heard by the person affected by the order.  
15 The commissioner shall immediately serve the person with a copy of the  
16 emergency order. An emergency order expires 60 days after the date it  
17 is issued, if the person affected by the order requests a hearing  
18 within 15 days of receipt of the order. If the person does not re-  
19 quest a hearing within 15 days of receipt of the emergency order, the  
20 order becomes permanent. Following a hearing, the commissioner may  
21 rescind, modify, or make permanent the emergency order.

22 \* Sec. 14. AS 05.15.200(b) is amended to read:

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

27 \* Sec. 15. AS 05.15.210 is amended by adding new paragraphs to read:

28 (35) "ideal net" means an amount equal to the total amount  
29 of receipts that would be received if every individual pull-tab ticket

1 in a series were sold at face value, less the prizes to be awarded for  
2 that series;

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

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

9 (A) a retail establishment;

10 (B) an eating establishment; or

11 (C) an establishment licensed under AS 04.11.

12 \* Sec. 16. Sections 11 and 12 of this Act take effect on the effective  
13 date of an Act establishing a charitable gaming surety fund that is enacted  
14 by the Sixteenth Alaska State Legislature.

15 \* Sec. 17. Except for secs. 11 and 12, this Act takes effect immediate-  
16 ly under AS 01.10.070(c).