

HB

182

CS FOR HOUSE BILL NO. 182()

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

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVE KOTT

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to charitable gaming; and providing for an effective date."

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

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

4 (b) An additional fee of one percent of the net proceeds received during the
5 preceding year from the activities authorized under the permit shall be paid to the
6 department annually by the municipality or qualified organization authorized to
7 conduct activities under this chapter, if the gross receipts for the activities were
8 \$20,000 or more. In this subsection, "activities authorized under the permit" does
9 not include activities conducted under an endorsement issued to a permittee under
10 AS 05.15.300.

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

12 (a) The department shall adopt regulations under AS 44.62 (Administrative
13 Procedure Act) necessary to carry out this chapter covering, but not limited to,
14 (1) the issuance, renewal, and revocation of permits, licenses, and pull-
15 tab and electronic gaming vendor registrations;

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

6 (3) the immediate revocation of permits, licenses, and pull-tab and
7 electronic gaming vendor registrations authorized under this chapter if this chapter or
8 regulations adopted under it are violated;

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

11 (5) the investigation of permittees, licensees, registered pull-tab or
12 electronic gaming vendors, and their employees, including the fingerprinting of those
13 permittees, licensees, registered pull-tab or electronic gaming vendors, and employees
14 whom the department considers it advisable to fingerprint;

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

17 (7) the number of activities that may be held, operated, or conducted
18 under a permit during a specified period; however, the department may not allow more
19 than 14 bingo sessions a month and 35 bingo games a session to be conducted under
20 a permit; the holders of a multiple-beneficiary permit under AS 05.15.100(d) may hold,
21 operate, or conduct the number of sessions and games a month equal to the number
22 allowed an individual permittee per month multiplied by the number of holders of the
23 multiple-beneficiary permit;

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

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

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

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

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

7 **Sec. 05.15.070. Examination of books and records.** The department may
8 examine or have examined the books and records of a permittee, an operator, a
9 registered pull-tab or electronic gaming vendor, or a person licensed to manufacture
10 or to distribute electronic gaming machines or pull-tab games in the state. The
11 department may issue subpoenas for the attendance of witnesses and the production of
12 books, records, and other documents.

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

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

- 17 (1) the member in charge for the qualified organization;
18 (2) a person authorized to sign on behalf of the municipality;
19 (3) the operator or the operator's agent;
20 (4) the licensed pull-tab distributor or the distributor's agent; [OR]
21 (5) the licensed pull-tab manufacturer or the manufacturer's agent;
22 (6) the licensed electronic gaming machine distributor or the

23 distributor's agent;

24 (7) the licensed electronic gaming machine manufacturer or the
25 manufacturer's agent;

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

27 or

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

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

30 (e) The department may issue a permit to a municipality or qualified
31 organization to conduct electronic gaming activities through the use of electronic

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gaming machines.

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

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

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

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

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

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

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

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

(c) A permittee may not contract with more than one operator at a time to conduct the same type of activity. For the purposes of this subsection, bingo games, raffles, lotteries, pull-tab games, ice classics, race classics, rain classics, goose classics, mercury classics, deep freeze classics, canned salmon classics, salmon classics, king salmon classics, dog mushers' contests, snow machine classics, fish derbies, and contests of skill are each a different type of activity. Except as authorized under AS 05.15.300, a permittee may not contract with an operator to conduct electronic gaming activities.

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

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

1 municipality.

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

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

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

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

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

12 (a) The authority to conduct the activity authorized by this chapter is contingent
13 upon the dedication of the net proceeds of the charitable gaming activity to the awarding
14 of prizes to contestants or participants and to political, educational, civic, public,
15 charitable, patriotic, or religious uses in the state. "Political, educational, civic, public,
16 charitable, patriotic, or religious uses" means uses benefiting persons either by bringing
17 them under the influence of education or religion or relieving them from disease,
18 suffering, or constraint, or by assisting them in establishing themselves in life, or by
19 providing for the promotion of the welfare and well-being of the membership of the
20 organization within their own community, or through aiding candidates for public office
21 or groups that support candidates for public office, or by erecting or maintaining public
22 buildings or works, or lessening the burden on government, but does not include

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

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

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

30 (A) to aid candidates for public office or groups that support or
31 oppose candidates for public office;

32 (B) to a political party or to an organization affiliated with a

1 political party; or

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

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

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

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

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

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

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

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

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

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

31 (b) If the department revokes a license or pull-tab or electronic gaming vendor
32 registration under this section, it may prohibit the licensee or pull-tab or electronic

1 gaming vendor from reapplying for a license or pull-tab or electronic gaming vendor
2 registration for a period of not more than five years. If the department revokes a permit
3 under this section, it may prohibit the permittee from reapplying for a permit for a period
4 of not more than one year.

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

6 (a) Except as provided in AS 05.15.187 or 05.15.300 - 05.15.360, this [THIS]
7 chapter does not authorize the use of playing cards, dice, roulette wheels, coin-operated
8 instruments or machines, or other objects or instruments used, designed, or intended
9 primarily for gaming or gambling or any other method or implement not expressly
10 authorized by the department.

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

12 (b) With the exception of raffles, lotteries, bingo games, electronic gaming
13 activities, pull-tab games, race classics, rain classics, goose classics, mercury classics,
14 deep freeze classics, dog mushers' contests, snow machine classics, canned salmon
15 classics, salmon classics, king salmon classics, an activity may not be licensed under this
16 chapter unless it existed in the state in substantially the same form and was conducted
17 in substantially the same manner before January 1, 1959. A snow machine classic may
18 not be licensed under this chapter unless it has been in existence for at least five years
19 before the licensing.

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

21 (g) A municipality or a qualified organization may award a maximum of
22 \$6,000,000 [\$1,000,000] in prizes each year in activities authorized under this chapter;
23 however, if a municipality or a qualified organization contracts with an operator to
24 conduct on its behalf activities authorized under this chapter, the municipality or
25 qualified organization may award a maximum of \$500,000 in prizes each year. The
26 holders of a multiple-beneficiary permit under AS 05.15.100(d) may award a maximum
27 in prizes each year of \$1,000,000 times the number of holders of the permit for activities
28 authorized under this chapter. In this subsection, "activities authorized under this
29 chapter" means all activities subject to this chapter other than bingo and electronic
30 gaming activities.

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

32 (e) A distributor may not

- 1 (1) take an order for the purchase of a pull-tab series from a pull-tab
2 vendor;
3 (2) sell a pull-tab series to a pull-tab vendor; or
4 (3) deliver a pull-tab series to a pull-tab vendor.

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

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

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

11 (i) A permittee, operator, or registered pull-tab vendor may not turn over a prize
12 of \$50 or more to a person with a pull-tab card entitling the person to that prize unless
13 the person signs the pull-tab [A RECEIPT FOR THE PRIZE] and returns the pull-tab
14 [RECEIPT] to the permittee, operator, or pull-tab vendor. [THE RECEIPT MUST BE
15 IN A FORM APPROVED BY THE DEPARTMENT.]

16 * Sec. 19. AS 05.15.187 is amended by adding a new subsection to read:

17 (j) The department may approve the use of cash-operated machines for the sale
18 of pull-tabs.

19 * Sec. 20. AS 05.15.188 is amended to read:

20 **Sec. 05.15.188. Pull-tab sales by pull-tab vendors on behalf of permittees;**
21 **pull-tab vendor registration.** (a) A permittee may contract with a pull-tab vendor
22 to sell pull-tabs on behalf of the permittee [,] if the permittee first registers the pull-
23 tab vendor with the department by applying for registration on a form prescribed by
24 the department and by submitting the registration fee of \$50 for each location at which
25 the pull-tab vendor will sell pull-tabs.

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

29 (c) The endorsement issued under (b) of this section is an extension of the
30 permittee's privilege under AS 05.15.100 to conduct pull-tab sales in this state. A
31 pull-tab vendor may not sell a pull-tab series until a copy of the permit containing the
32 endorsement for the new pull-tab vendor location has been posted by the permittee in

1 the registered pull-tab vendor establishment. The endorsed permit must be clearly
2 visible to the gaming public.

3 (d) A separate endorsement shall be issued for each pull-tab vendor location.
4 The permittee shall inform the department when a pull-tab vendor with whom the
5 permittee is contracting changes the physical location at which pull-tabs are sold, and
6 shall return to the department all copies of a permit endorsed to a pull-tab vendor that
7 is no longer selling pull-tabs on behalf of the permittee. Failure to inform the
8 department of a change in pull-tab vendor location, or to return the endorsed copies
9 of a permit to the department after a pull-tab vendor change, may constitute grounds
10 for the suspension or revocation of a permittee's permit.

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

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

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

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

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

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

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

5 * Sec. 21. AS 05.15 is amended by adding new sections to read:

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

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

10 (1) conduct electronic gaming activities by use of electronic gaming
11 machines at a location where the permittee directly sells pull-tabs or conducts bingo
12 sessions;

13 (2) sublease electronic gaming machines to other permittees and charge
14 a fee for the sublease that is not more than three percent of net machine income, which
15 shall be paid from the permittee's share of net machine income;

16 (3) contract with an electronic gaming vendor to conduct electronic
17 gaming by use of electronic gaming machines; or

18 (4) if the permittee has a club license under AS 04.11.110, conduct
19 electronic gaming by use of electronic gaming machines at the location of the club.

20 (b) To obtain an electronic gaming endorsement under

21 (1) (a)(1) of this section, a permittee shall

22 (A) identify the locations where the permittee directly sells pull-
23 tabs or conducts bingo sessions and where the permittee intends to install
24 electronic gaming machines;

25 (B) identify the number of electronic gaming machines the
26 permittee will have at each location; and

27 (C) pay an annual fee of \$100 for each electronic gaming
28 machine;

29 (2) (a)(2) of this section, a permittee shall identify the other permittees
30 to whom electronic gaming machines are subleased, the location of the machines, and
31 the fee charged for each sublease;

1 (3) (a)(3) of this section, a permittee shall register the electronic
2 gaming vendor with the department by applying for registration on a form prescribed
3 by the department and

4 (A) identify the locations of the electronic gaming machines;

5 (B) identify the number of electronic gaming machines the
6 permittee will have at each location; and

7 (C) pay an annual fee of \$100 for each electronic gaming
8 machine;

9 (4) (a)(4) of this section, the permittee shall submit proof of the club
10 license to the department and

11 (A) identify the location of the club;

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

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

16 (c) A permittee issued an endorsement to conduct electronic gaming activities
17 under

18 (1) (a)(1) of this section may not be issued an endorsement under (a)(3)
19 or (4) of this section;

20 (2) (a)(3) of this section may not be issued an endorsement under (a)(1)
21 or (4) of this section;

22 (3) (a)(4) of this section may not be issued an endorsement under (a)(1)
23 or (3) of this section.

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

1 (e) A separate endorsement shall be issued for each permittee location or
2 electronic gaming vendor location. An endorsement may only be issued for permittee
3 locations that are engaged in charitable gaming on the effective date of this section.
4 The endorsement for a location may not be transferred to another location. The
5 permittee shall inform the department if the permittee or its electronic gaming vendor
6 discontinues conducting electronic gaming. Failure to return the endorsed copies of
7 a permit to the department after a permittee or an electronic gaming vendor change,
8 constitutes grounds for the suspension or revocation of a permittee's permit.

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

12 (g) A permittee that uses an electronic gaming vendor to conduct electronic
13 gaming on its behalf shall enter into a written contract with that electronic gaming
14 vendor. The department may inspect this contract. If the contract contains provisions
15 that violate this chapter or the regulations adopted under it, the department may declare
16 the contract void, and may suspend or revoke the registration of the electronic gaming
17 vendor and the permit of the permittee. The contract must contain provisions
18 regarding the allocation of the costs of purchasing or leasing the electronic gaming
19 machines.

20 (h) Only electronic gaming machines approved by the department may be used
21 for electronic gaming. A permittee may purchase the machines directly from a licensed
22 electronic gaming machine distributor or may enter into a lease or lease-purchase
23 arrangement for the machines with the distributor. A lease or lease-purchase
24 arrangement must be approved by the department.

25 (i) If a permittee

26 (1) contracts with an electronic gaming vendor under (a)(3) of this
27 section, the contract must provide that the

28 (A) permittee shall receive 30 percent of the net machine
29 income;

30 (B) registered electronic gaming vendor shall receive 30 percent
31 of the net machine income;

1 (C) state shall receive 15 percent of the net machine income;
2 and

3 (D) municipality in which each machine is located, or the state
4 if the machine is located in the unorganized borough outside of municipalities,
5 shall receive 25 percent of the net machine income;

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

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

13 (k) An electronic gaming machine may

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

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

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

20 (l) A permittee may not have more than 10 electronic gaming machines at each
21 location for which the permittee has an endorsement. A permittee may not contract
22 with more than five electronic gaming vendors under this section. A permittee may
23 not have endorsements cumulatively totaling more than 10 machines except for
24 endorsements for machines subleased to other permittees under (a)(2) of this section.
25 If an electronic gaming vendor is an operator, electronic gaming machines may only
26 be located in a location that was being used to conduct bingo or pull-tab games on the
27 effective date of this section.

28 (m) All electronic gaming machines shall be monitored by the permittee or the
29 electronic gaming vendor during business hours. Monitoring shall be accomplished
30 by the physical presence of an employee of the permittee or the electronic gaming
31 vendor or by an employee using video cameras or mirrors and by periodic personal

1 inspections of the machines and the area in which the machines are located.

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

5 (o) If the sale of alcoholic beverages has been prohibited within a municipality
6 under AS 04.11.491, the department may issue an electronic gaming endorsement to
7 a permittee within the municipality that provides the permittee with the authority to
8 conduct electronic gaming by use of electronic gaming machines in the manner
9 permittees with club licenses under AS 04.11.110 are authorized to conduct electronic
10 gaming if the electronic gaming is only conducted within a location into which the
11 access is restricted to persons 21 years of age or older.

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

16 (q) An electronic gaming vendor that is an operator is subject only to the
17 provisions relating to electronic gaming vendors for actions taken as an electronic
18 gaming vendor.

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

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

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

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

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

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

7 (6) has accounting software that keeps an electronic record that includes
8 total money inserted into the machine, the value of winning tickets claimed by players,
9 the total electronic gaming credits awarded by an electronic gaming game, and the
10 payback percentages credited players of each electronic gaming game;

11 (7) is linked under a central communications system to provide auditing
12 program information as approved by the department; the communications system
13 approved by the department under this paragraph may not limit participation to only
14 one manufacturer of electronic gaming machines by either the cost of implementing
15 the necessary program modifications to communicate or the inability to communicate
16 with the central communications system; this paragraph does not require that a
17 machine to be approved must be on-line or otherwise in constant communication with
18 a central computer;

19 (8) does not allow more than \$1 to be played on a game or award free
20 games or credits in excess of the value of \$150 per credit value of \$.25 played; and

21 (9) has a total payoff of 85 percent of the value of one \$.25 credit.

22 **Sec. 05.15.320. Electronic gaming machine manufacturers.** (a) A person
23 may not manufacture electronic gaming machines or associated equipment in the state,
24 and may not sell or distribute an electronic gaming machine or associated equipment
25 that the person has manufactured outside of the state to persons in the state, unless the
26 person has received an electronic gaming manufacturer's license issued by the
27 department.

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

30 (c) An electronic gaming machine or associated equipment may not be
31 manufactured, sold, or distributed in the state unless it has been approved by the

1 department. The department shall examine prototypes of electronic gaming machines
2 and associated equipment that a licensed manufacturer wishes to manufacture, sell, or
3 distribute in the state. The manufacturer shall pay in advance the costs of the
4 examination and approval of an electronic gaming machine or associated equipment.
5 The department may contract with another state or person for the examination required
6 under this subsection.

7 (d) An electronic gaming machine manufacturer may distribute electronic
8 gaming machines and associated equipment only to a licensed electronic gaming
9 machine distributor unless the electronic gaming machine manufacturer is also a
10 licensed electronic gaming machine distributor.

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

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

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

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

26 (d) An electronic gaming distributor shall report to the department by the last
27 business day of each month on each electronic gaming machine and associated
28 equipment distributed in the preceding month. The report must include the name of
29 the permittee to whom each electronic gaming machine or associated equipment is
30 distributed and the serial number of each machine.

31 (e) A distributor may only sell or lease electronic gaming machines to a

1 permittee holding a valid electronic gaming endorsement under AS 05.15.300. A
2 distributor may not

3 (1) take an order for the purchase of an electronic gaming machine or
4 associated equipment from an electronic gaming vendor; or

5 (2) sell an electronic gaming machine or associated equipment to an
6 electronic gaming vendor.

7 **Sec. 05.15.340. Distribution of net income from electronic gaming.** The
8 department shall immediately revoke the electronic gaming endorsement of a permittee
9 or the electronic gaming registration of an electronic gaming vendor that fails to pay
10 the following percentages of net machine income from each electronic gaming machine
11 at the times directed by the department:

12 (1) 60 percent to the permittee or, if the permittee uses an electronic
13 gaming vendor, 30 percent to the permittee and 30 percent to the electronic gaming
14 vendor;

15 (2) 15 percent to the state; and

16 (3) 25 percent to the municipality in which the machine is located, or
17 to the state if the machine is located in the unorganized borough outside of
18 municipalities.

19 **Sec. 05.15.350. Electronic gaming revenues may be appropriated for**
20 **education.** The state's percentage of electronic gaming adjusted gross income
21 received under AS 05.15.340 shall be deposited in the general fund. The annual
22 estimated balance in the account maintained under AS 37.05.142 for money received
23 under AS 05.15.340 may be appropriated by the legislature to provide for education.
24 Nothing in this section creates a dedicated fund.

25 **Sec. 05.15.360. Department to contract.** The department, to the maximum
26 extent practicable, shall solicit bids and contract for the performance of duties required
27 to monitor and conduct electronic gaming when the contracting will not jeopardize the
28 integrity of the gaming and enforcement of the laws of the state.

29 * **Sec. 22.** AS 05.15.620(c) is amended to read:

30 (c) If a majority of the voters vote "yes" on the question set out in (a), (b), or
31 (d) [(a) OR (b)] of this section, the department shall be notified immediately after

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certification of the results of the election and thereafter the department may not issue a license, permit, endorsement, or pull-tab or electronic gaming vendor registration authorizing charitable gaming, electronic gaming activities, or pull-tab sales, as appropriate, within the boundaries of a municipality and in unincorporated areas within five miles of the boundaries of the municipality or within the perimeter of an established village. As necessary to implement the results of an election under (a), (b), or (d) [(a) OR (b)] of this section, existing licenses, permits, endorsements, and pull-tab or electronic gaming vendor registrations for charitable gaming, electronic gaming activities, or pull-tab sales within the boundaries of a municipality and in unincorporated areas within five miles of the boundaries of the municipality or within the perimeter of an established village are void 90 days after the results of the election are certified. A license, endorsement, or pull-tab or electronic gaming vendor registration that will expire during the 90 days after the results of a local option election under this section are certified is void as of the expiration date.

* Sec. 23. AS 05.15.620 is amended by adding a new subsection to read:

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

* Sec. 24. AS 05.15.680 is amended to read:

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

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

* Sec. 25. AS 05.15.680 is amended by adding new subsections to read:

(c) A person

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

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

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

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

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

11 * Sec. 26. AS 05.15.690 is amended by adding new paragraphs to read:

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

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

19 (48) "electronic gaming vendor" means

20 (A) an operator licensed by the department to conduct bingo or
21 pull-tab games on the effective date of this paragraph and that conducts
22 electronic gaming activities on behalf of a permittee; or

23 (B) a business whose primary activity is not regulated by this
24 chapter but that

25 (i) conducts electronic gaming activities on behalf of a
26 permittee;

27 (ii) holds a business license under AS 43.70; and

28 (iii) is an establishment holding a beverage dispensary
29 license under AS 04.11.090 that has not been designated by the
30 Alcoholic Beverage Control Board under AS 04.16.049(a)(2) - (3), has
31 not been exempted by the Department of Labor and Workforce

1 Development under AS 04.16.049(c) and AS 23.10.355, and, if the
2 establishment is a hotel, motel, resort, or similar business that caters to
3 the traveling public as a substantial part of its business, does not
4 conduct the electronic gaming activities in a dining room, banquet
5 room, guest room, or other public areas other than a room in which
6 there is regularly maintained a fixed counter or service bar at which
7 alcoholic beverages are sold or served to members of the public for
8 consumption, or a package store license under AS 04.11.150;

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

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

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

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

15 (C) is an establishment holding a

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

27 (ii) package store license under AS 04.11.150.

28 * Sec. 27. AS 11.66.280(3) is amended to read:

29 (3) "gambling device" means any device, machine, paraphernalia, or
30 equipment that is used or usable in the playing phases of unlawful gambling, whether
31 it consists of gambling between persons or gambling by a person involving the playing

1 of a machine; "gambling device" does not include

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

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

5 or

6 (C) an electronic gaming machine or a pull-tab sales
7 machine permitted by the commissioner of revenue under AS 05.15:

8 * Sec. 28. AS 29.10.200(48) is amended to read:

9 (48) AS 29.45.650(c), (d), (e), [AND] (f), and (i) (sales and use tax);

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

11 (i) A borough may not levy or collect a sales tax on sales, rents, and services,
12 or a use tax on the storage, use, or consumption of personal property for charitable
13 gaming under AS 05.15. This subsection applies to home rule and general law
14 municipalities.

15 * Sec. 30. AS 29.45.700(d) is amended to read:

16 (d) A city that levies and collects sales and use taxes under (a) of this section
17 may not levy and collect a sales tax on a purchase made with (1) food coupons, food
18 stamps, or other types of certificates issued under 7 U.S.C. 2011 - 2025 (Food Stamp
19 Act); or (2) food instruments, food vouchers, or other type of certificate issued under
20 42 U.S.C. 1786 (Special Supplemental Food Program for Women, Infants, and
21 Children). A city that levies and collects sales and use taxes under (a) of this
22 section may not levy and collect a sales or use tax on sales, rents, services, storage,
23 use, or consumption of charitable gaming under AS 05.15. This subsection applies
24 to home rule and general law municipalities.

25 * Sec. 31. AS 05.15.690(44) is repealed.

26 * Sec. 32. REGULATIONS. Notwithstanding the effective date of secs. 1 - 31 of this Act,
27 the Department of Revenue shall begin the process under AS 44.62 (Administrative Procedure
28 Act) of adopting regulations to implement this Act so that the regulations can take effect
29 January 1, 2001, or as soon thereafter as is possible.

30 * Sec. 33. Except for sec. 32 of this Act, this Act takes effect January 1, 2001.

31 * Sec. 34. Section 32 of this Act takes effect immediately under AS 01.10.070(c).

HB 182

SECTION BY SECTION REVIEW

House Bill 182

By: Representative Kott

Introduced: 4/8/99

Referred: Transportation, Judiciary, Finance

"An act relating to charitable gaming and to gaming on state ferries; and providing for an effective date."

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

Net proceeds from video lottery gaming activities will not be subject to the annual fee, one percent of net proceeds, required for all other gaming activities.

Section 2. AS 05.15.060(a) is amended to read:

Adds video lottery vendors to existing statute on issuance, renewal and revocation of all gaming permits. Changes existing statute from the general term "vendor" to pull-tab vendor and video lottery vendor.

Section 3. AS 05.15.070 is amended to read:

Examination of books and records. Adds pull-tab vendor, video lottery vendor and video lottery machines to existing statute for examination by the department.

Section 4. AS 05.15.095(a) is amended to read:

Adds licensed video lottery machine distributor or agent,
licensed video lottery machine manufacturer or agent,
registered video lottery vendor or agent,
registered pull-tab vendor or agent,
to existing statute requiring applications to the state.

Section 5. AS 05.15.100 is amended by adding a new subsection to read:

Adds new subsection (e) allowing video lotteries through the use of video lottery machines and the authority to issue permits.

Section 6. AS 05.15.105(a) is amended to read:

Adds pull-tab and video lottery vendors to existing statute regarding restrictions on persons not eligible to participate in gaming activities.

Section 7. AS 05.15.115(c) is amended to read:

Adds exception for operators, as defined under existing statutes, to contract with permittees to conduct video lottery gaming activities.

Section 8. AS 05.15.124 is amended to read:

Adds pull-tab vendor and video lottery vendor to existing language that allows municipalities to prohibit gaming activities.

Section 9. AS 05.15.128(a) is amended to read:

Adds video lottery language to existing language concerning operators.

Section 10. AS 05.15.150(a) is amended to read:

Deletes "Political" from text preventing net proceeds from being used for political uses. Adds video lottery proceeds with bingo and pull-tab proceeds to prevent use for payment of lobbyists.

Section 11. AS 05.15.160(d) is amended to read:

Adds video lotteries with existing pull-tab language regarding maximum authorized expenses to operate gaming activities.

Section 12. AS 05.15.170 is amended to read:

Adds pull-tab or video lottery under existing statute for suspension or revocation conditions.

Section 13. AS 05.15.180(a) is amended to read:

This will allow the use of coin/cash operated machines for gaming activities. It includes video lottery machines and pull-tab dispensing machines that accept coin/cash.

Section 14. AS 05.15.180(b) is amended to read:

Adds video lotteries as another exception to conduct activities that may be licensed if it did not exist as a gaming activity before 1 January 1959.

Section 15. AS 05.15.180(q) is amended to read:

Adds video lotteries with bingo under existing language which excludes maximum prize awards per year.

Section 16. AS 05.15.183(e) is amended to read:

Adds the word "pull-tab" before the word "vendor" where written in existing statute.

Section 17. AS 05.15.187(h) is amended to read:

Adds the words "pull-tab" before the word "vendor" where written in existing statute.

Section 18. AS 05.15.187(i) is amended to read:

REMOVES a requirement that a winner of a pull-tab price of \$50 or more to sign a state approved receipt. Allows the winner to sign the winning pull-tab as a receipt.

Section 19. AS 05.15.187 is amended by adding a new section to read:

(i) The department may approve the use of coin-operated machines for the sale of pull-tabs.

This allows the use of coin/cash machines to sell pull/tabs.

Section 20. AS 05.15.188 is amended to read:

Adds the word "pull-tab" before the word "vendor" where written in existing statute.

SECTION 21. AS 05.15 IS AMENDED BY ADDING NEW SECTIONS TO READ:

Article 2A. Video Lotteries.

Sec> 05.15.300 Video lottery

This allows the department to issue video lottery endorsements to a permittee. The permittee may conduct video lotteries in pull-tab parlors or bingo halls where the permittee **directly** sells pull-tabs or conducts bingo sessions; or may contract with a video lottery vendor; or use video lottery machines in their private clubs licensed under Title IV statutes.

The gaming permit, video lottery gaming endorsement and machine permit must be posted at the establishment clearly visible to the public.

Requires contracts between permittee and video lottery vendor(s).

Only video lottery machines **owned or leased by the department** may be used for video lottery charitable gaming.

Video Lottery Gaming In Alaska

PROPOSAL - CHARR

Sept./1989

DISTRIBUTION
OF
GAMING REVENUE

NET MACHINE INCOME:

MONEY PUT INTO A VIDEO LOTTERY MACHINE MINUS
CREDITS PAID OUT IN CASH

- 30% - PERMITTEE**
- 30% - VENDOR**
- 20% - LOCAL GOVERNMENT**
- 20% - STATE GOVERNMENT**

If there is no municipality where the video lottery terminals are located the state will receive the local government share of the net machine income.

The state will receive 100% of all video lottery gaming revenue from the Alaska Marine Highway System.

VIDEO LOTTERY GAMING IN ALASKA

What is Video Lottery Gaming?

Video lottery games are played on an electronic terminal similar to video games now played on your computers or televisions. The video lottery terminals have a large selection of games to choose from. Examples of several games include poker, blackjack, keno and bingo.

The video lottery terminal will accept \$1, \$5, \$10, and \$20 bills. Each credit is worth 25 cents. A player may wager from one to eight credits per game.

The video lottery terminal will not dispense cash. A terminal will print a cash slip for a player wanting to be paid for their credits on the terminal.

These terminals will be connected to a central state computer where all transactions can be recorded and monitored.

Why Video Lottery Gaming In Alaska?

Expanded opportunity for non-profits. Presently the sale of pull tabs and bingo games are the two largest revenue generators for charitable and non-profit groups exercising gaming permits in Alaska. Adding video lottery gaming would allow more groups to participate as well as greatly increase the annual revenues of groups already exercising their gaming permits.

In view of the decreasing levels of revenue from state and federal funding sources it is important that long term revenue sources be made available for our communities in the future.

Video lottery programs are already operating successfully in several other states and have been generating significant revenues for those states.

The proposal to add video lottery gaming in Alaska would provide revenue to four groups; First is local non-profit organizations, permittees, followed by local businesses or vendors, local governments and the state.

Enhanced accountability and security with little reporting requirements for the permittee.

Each video lottery terminal will be hooked in to a central computer operated by the state. Modern technology in the computer software would allow the state to maintain daily access to all terminals in the state.

At the end of each day the video terminals provide the central computer with a report on all transactions, revenue put in the machine, revenue paid out in prizes etc. This data will be accumulated in the central computer and when quarterly reports are due the state can generate this data thereby eliminating the need for permittees to complete these cumbersome reports they presently struggle with.

Regarding the security and integrity of the video game terminal. The central computer is capable of determining if any terminal at any location in the state has been tampered with. Any tampering and the terminal can be shut down immediately. Each terminal will have a built in security system as well as secured lines of communication to the central computer and the central computer as well will have the latest security technology to prevent outside hackers.

No more check writing. Revenues from the video lottery terminals would be deposited by the vendor into special banks accounts that are capable of electronic transfers. Funds to permittees, vendors, contractors, local governments and the state could easily be electronically transferred automatically as well.

Integrity. Charitable gaming in Alaska has become a \$270 million dollar revenue source. To continue existing gaming and expand gaming to video lottery gaming requires total accountability for these dollars.

The design of the video lottery terminal prevents illegal tampering by unscrupulous persons. The internal accounting software tracks all transactions and revenues. Within minutes an auditor has all data.

The proposal would also limit video lottery to those areas within a licensed beverage establishment that are restricted to adults over the age of 21 and provides allowances for rural communities where no alcohol is allowed.

THE PERMITTEE

The charitable or non-profit group as defined under existing gaming statutes will be eligible to participate in video lottery gaming. Once the state has issued a permit to one of these organizations they are called a "permittee".

The participation of a permittee in video lottery gaming is designed to simplify accounting and reporting procedures. The proposal calls for the permittee to complete the annual application for the State Division of Gaming. The application will identify and qualify the group.

The permittee will also provide a contract with one or up to five vendors that they wish to exercise their gaming permit with. These contracts must be reviewed and approved by the Division of Gaming. The contract will have the following required information:

1. Vendor name, location, Title IV license number, Vendor license number.
2. The number of video lottery terminals the vendor will apply to the permittee.
3. The serial numbers of those video lottery terminals to be used.
4. The beginning and ending dates that each video lottery terminal will be used by the permittee.
5. The vendor special bank account number that all funds will be deposited.

The desired effect of participating in any gaming activity available in Alaska is to generate funds for the specific needs of the individual group in their respective communities. The proposal for video lottery games in Alaska seeks to accomplish this goal by proposing the following:

1. No state fees - no application fees, no vendor registration fees.
2. No lease or purchase of gaming equipment - video lottery terminals.
3. No quarterly or annual reports to the State.
4. A minimum of 30% of the net profit of the video lottery games.
5. Do not include a 3% tax on video lottery gaming that is required on pull tab gaming activities, eliminate the tax completely.
6. Eliminate the 1% annual tax on adjusted gross income presently being levied on gaming.
7. Prevent any sales taxes on video lottery gaming revenues.

Under this proposal a permittee may not contract with more than five vendors. A vendor may contract with more than one permittee at the same time. A vendor may not have more than 10 video lottery terminals at each vendor location.

With these options it is expected that the number of permittees participating in gaming activities will increase considerably. Those permittees presently using other gaming activities such as pull tabs or bingo are able to add video lottery gaming as another tool to raise funds for the needs they wish to provide in their respective communities. Dependency on government grants or health and social service funds will decrease.

THE VENDOR

Under this proposal there will be two classifications of vendor under video lottery gaming in Alaska.

CLASS "A" VENDOR

The Class A vendor is a business whose primary activity is not regulated by gaming law but conducts video lottery games on behalf of a permittee and;

1. holds a business license under AS 43.70
2. is an establishment holding a beverage dispensary license under AS 04.11.090 that has not been designated by the ABC Board under AS 04.16.049(a)(2) - (3), has not been exempted by the Department of Labor under AS 04.16.049(c) and AS 23.10.355, and if the establishment is a hotel, motel, resort, or similar business that caters to the traveling public as a substantial part of its business, does not conduct the video lottery games in a dining room, banquet room, guest room, or other public areas other than a room in which there is a regularly maintained or fixed counter or service bar at which there is a regularly maintained or fixed counter or service bar at which alcoholic beverages are sold or served to members of the public for consumption;
3. holds a package store license under AS 04.11.150

CLASS "B" VENDOR

The Class B vendor is a permittee in a municipality that prohibits the sale of alcohol beverages under AS 04.11.491 but that municipality provides for the permittee with the authority to conduct video lottery charitable gaming by use of video lottery machines in the manner permittees with club licenses under AS 04.11.110 are authorized to conduct video lottery gaming. Video lottery gaming must be conducted within a location into which the access is restricted to persons 21 years of age or older.

The vendor is required to:

1. Register with the State Division of Gaming and obtain a license to use video lottery terminals at their location. Annual registration with a small fee.
2. Contract with permittees for exercising their gaming permits.
3. Install a dedicated line of communications for gaming use only.
4. Provide the necessary electrical connections for all gaming terminals.
5. Open a special gaming bank account to deposit all required revenues from video lottery gaming activities. The account must be capable of making electronic transfer of funds.
6. Provide sufficient funds to pay out prizes after verification of winner pay out slips.
7. Monitor the machines and playing area in a manner described by law.

The vendor may have up to 10 video lottery terminals per licensed location. Vendor may contract with more than one permittee at the same time. At a time to be determined by the Division of Gaming, the vendor will deposit all net proceeds of the video lottery gaming into the special gaming bank account.

The vendor is prohibited from leasing or owning any video lottery game terminal. All video lottery terminals will be shut off one hour before the close of business at the vendor location. All video lottery terminals will shut down for failure to deposit the required funds on time.

THE ALASKA DIVISION OF GAMING

The new Alaska Division of Gaming is established to maintain the security, integrity and control of video lottery gaming in Alaska. Under the proposed methods of operation the Division will oversee the entire video lottery operations through a central computer.

All previous reporting requirements involving massive paperwork will now be generated from the computer. Division oversight regarding all legislative inquiries will be instantaneous. Historical data will be accumulated for future upgrades or expansion.

Legislative or regulatory activity pertaining to video lottery gaming will decrease. Little or no administrative hearings or litigation with parties involved with video lottery gaming. Field investigations and inspections minimal.

The Division will purchase and own all video lottery terminals used in the state from manufacturer's in the state or out of state having a manufacturer's license from the state of Alaska.

All video lottery terminals will have the technology capable of communicating with a central computer on all transactions and maintaining data.

The Division shall solicit bids and contract for the performance of duties required to install and maintain video lottery terminals at licensed vendor locations when the contracting will not jeopardize the integrity of the gaming and enforcement of the laws of the state.

The Division shall solicit bids and contract for the performance of duties required to install and maintain a central computer through purchase or lease agreements as required to maintain the control, security and integrity of all video lottery gaming in Alaska.

THE CENTRAL COMPUTER

The central computer will be in a secured area under Division control. The computer will be linked to all video lottery terminals through dedicated land lines or other competitive communication links available in Alaska. These lines of communication used in video gaming terminals will be tamper proof and secured and upgraded when technology advances accordingly.

The central computer will be capable of generating all timely reports, quarterly and annual, per permittee. The only oversight required by the Division would be to audit the requirements a permittee has in spending the revenue derived from any gaming activity.

The central computer will shut down video lottery terminals if the terminals are tampered with or malfunction. The computer will automatically notify the contractor in charge of the terminals for immediate response and decreased shut down time.

The central computer will shut down the video lottery terminals at the vendor locations where the appropriate funds have not been deposited on time for electronic withdrawal. The computer will transfer the necessary accounting data to a banking institution contracted by the state to pull funds from vendor gaming accounts and distribute the funds to the permittee, vendor, local government, the state and contractors.

At a minimum, the computer will communicate with all video lottery terminals once in every 24 hour period to recover necessary accounting data.

The central computer should have the capacity to add additional gaming programs presently in use by permittees if or when software becomes available.

THE CONTRACTOR

The contractor is the person or business that will

1. install and maintain state owned video lottery terminals in vendor locations;
2. install and maintain communication systems connecting the video lottery terminals to the central computer;
3. be certified and licensed in all the fields of operation required to complete the duties required under state laws in video lottery gaming;
4. be capable of responding to video terminal shut downs or malfunctions within 24 hours of shut down time.

VIDEO GAMING BILLS COMPARISON

MAJOR DIFFERENCES

	SB 144	HB 182
Allows operator participation in video gaming activities	No	Yes
Owns or leases video lottery machines	Permittee Only	State Only
Allows pull-tab parlors & bingo halls to use video gaming activities	No	Yes
Allows the use of pull-tab vending machines to dispense pull-tabs	No	Yes
Allows winners of a pull-tab prize of \$50 or more to sign the pull-tab as an official receipt	No	Yes
Charges permittee fees for vendor registration - per annum	Yes \$100/Vendor	No
Charges permittee fees for video lottery machine use - per annum	Yes \$100/Machine	No
Requires permittee to file reports that can be generated by the state	Yes	No
Requires permittee to contract with vendor	Yes	Yes
Requires permittee to contract with video lottery machine distributor for a fee	Yes	No
Prevents cities from taxing video gaming Revenues under Title 29 (Sales tax, inventory tax, etc.)	No	Yes

Distribution of Revenues

City/Borough	25%	20%
State	15%	20%
Vendor	30%	30%
Permittee	<u>30%</u> 100%	<u>30%</u> 100%
*Permittee using no vendor (Private Club)	(60%)	(60%)
Payoff Percentage per machine	80%	85%