

1 HB558
2 170665-1
3 By Representative Holmes (A) (Constitutional Amendment)
4 RFD: Economic Development and Tourism
5 First Read: 19-APR-16

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8 SYNOPSIS: Under existing law, lotteries and gift
9 enterprises are prohibited by Section 65 of the
10 Constitution of Alabama of 1901.

11 This bill proposes an amendment to Section
12 65 of the Constitution of Alabama of 1901 to
13 establish an Alabama Lottery and the Alabama
14 Lottery Corporation; to authorize and regulate
15 gaming by the entities currently licensed to
16 conduct pari-mutuel wagering at the four existing
17 racetracks in Alabama where pari-mutuel wagering is
18 currently legal; to levy a state gross receipts tax
19 and a local gross receipts tax on gaming revenue of
20 the racetracks; to levy a tax on vendors of gaming
21 equipment; to provide for the disposition of
22 lottery proceeds and state gaming tax proceeds; to
23 create the Alabama Lottery and Gaming Commission to
24 implement, regulate, and administer gaming and
25 regulate and supervise the Alabama Lottery and
26 Alabama Lottery Corporation; to authorize the
27 Governor to negotiate a compact for gaming with the

1 Poarch Band of Creek Indians; and to require the
2 Legislature to pass general laws to implement the
3 amendment.

4
5 A BILL
6 TO BE ENTITLED
7 AN ACT
8

9 Proposing an amendment to Section 65 of the
10 Constitution of Alabama of 1901, to establish an Alabama
11 Lottery and the Alabama Lottery Corporation; to authorize and
12 regulate gaming by the entities currently licensed to conduct
13 pari-mutuel wagering at the four existing racetracks in
14 Alabama where pari-mutuel wagering is currently legal; to levy
15 a state gross receipts tax and a local gross receipts tax on
16 gaming revenue; to levy a tax on vendors of gaming equipment;
17 to provide for the disposition of lottery proceeds and state
18 gaming tax proceeds; to create the Alabama Lottery and Gaming
19 Commission to implement, regulate, and administer gaming and
20 regulate and supervise the Alabama Lottery and the Alabama
21 Lottery Corporation; to authorize the Governor to negotiate a
22 compact for gaming with the Poarch Band of Creek Indians; and
23 to require the Legislature to pass general laws to implement
24 the amendment.

25 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

26 Section 1. The following amendment to the
27 Constitution of Alabama of 1901, as amended, is proposed and

1 shall become valid as a part thereof when approved by a
2 majority of the qualified electors voting thereon and in
3 accordance with Sections 284, 285, and 287 of the Constitution
4 of Alabama of 1901, as amended:

5 PROPOSED AMENDMENT

6 "Section 65.

7 "Part I.

8 "Except as provided in Part II and Part III, the ~~The~~
9 legislature shall have no power to authorize lotteries or gift
10 enterprises for any purposes, and shall pass laws to prohibit
11 the sale in this state of lottery or gift enterprise tickets,
12 or tickets in any scheme in the nature of a lottery; and,
13 except as provided in Part II and Part III, all acts, or parts
14 of acts heretofore passed by the legislature of this state,
15 authorizing a lottery or lotteries, and all acts amendatory
16 thereof, or supplemental thereto, are hereby avoided.

17 "Part II.

18 "Section 1. Declarations. The Legislature finds that
19 lotteries have been enacted in many states and the revenues
20 generated from those lotteries have contributed to the benefit
21 of those states. Many Alabamians already participate in other
22 state lotteries and visit casinos in neighboring states. The
23 majority of Alabamians support the establishment of a lottery
24 and support the limitation, regulation, and taxation of gaming
25 in Alabama. Therefore, the purpose of the proposed amendment
26 is fourfold: (1) to establish and provide for a fair and
27 honest lottery to generate revenue for the state; (2) to limit

1 and regulate gaming by the existing racetracks for which
2 gaming is already legal in Alabama; (3) to levy taxes on
3 gaming at those racetracks to generate revenues for the
4 benefit of the State General Fund; and (4) to authorize the
5 Governor to negotiate a compact for gaming with the Poarch
6 Band of Creek Indians.

7 "Section 2. Establishment of an Alabama Lottery.

8 "(a) The Legislature, by general law, shall provide
9 for the establishment, administration, operation, and
10 regulation of an Alabama Lottery consistent with this part and
11 Part III.

12 "(b) The proceeds from the Alabama Lottery shall be
13 applied first to the payment of the expenses of administering
14 and operating the Alabama lottery, including, without
15 limitation, the payment of all prizes, without any further
16 appropriation required by law, and the balance of the proceeds
17 remaining after the payments shall be deposited in equal
18 amounts to the State General Fund and the Education Trust
19 Fund.

20 "(c) The administration of the Alabama Lottery shall
21 be vested in a corporation hereby created and designated the
22 Alabama Lottery Corporation. The duties, powers, authority,
23 and composition of the Alabama Lottery Corporation shall be
24 enumerated in one or more general laws enacted by the
25 Legislature subsequent to and supplemental to this amendment.

26 "Part III.

1 "Section 1. Definitions. As used in this amendment,
2 the following words and phrases shall have the following
3 respective meanings:

4 "(1) COMMISSION. The Alabama Lottery and Gaming
5 Commission created by this amendment.

6 "(2) COVERED GAME. Any game or device included
7 within the definition of Class III gaming, as that term is
8 defined in the Indian Gaming Regulatory Act, Section 2703(8)
9 of Title 25 of the United States Code, including any and all
10 table games and electronic representations of such games, and
11 any electronic gaming devices. The term does not include
12 pari-mutuel wagering.

13 "(3) COVERED GAME VENDOR. Any person who
14 manufactures, distributes, supplies, vends, or leases covered
15 games or equipment necessary to conduct covered games by a
16 racetrack.

17 "(4) GAMING GROSS REVENUE. The total amount of money
18 or value in any form received by a racetrack with respect to
19 the playing of any form of covered game, less the total money
20 or value in any form paid as prizes or winnings to the players
21 of the covered game and free play or promotional credits, but
22 before deduction of any expenses incurred in operating the
23 establishment, including, but not limited to, depreciation or
24 leasing costs of physical facilities and equipment, wages and
25 other employment costs, utilities, interest, and taxes. Gaming
26 gross revenue may not be included in a pari-mutuel pool for

1 the purpose of determining any tax levied on pari-mutuel
2 wagering or for any other purpose.

3 "(5) RACETRACK. A corporation, limited liability
4 company, or other business entity authorized by a local racing
5 commission pursuant to law to operate and conduct pari-mutuel
6 wagering on live or simulcast races on April 15, 2015, in
7 Mobile County, Macon County, the City of Birmingham in
8 Jefferson County, or Greene County. The term includes any
9 business entity operating covered games under agreement with a
10 racetrack.

11 "Section 2. Limitation on Gaming in Alabama.

12 "(a) Following the effective date of this amendment,
13 covered games may be operated or conducted only by a racetrack
14 and only at a single location approved by the commission in
15 the county in which the racetrack is licensed to operate and
16 conduct pari-mutuel wagering.

17 "(b) The conduct of covered games by a racetrack is
18 not subject to or prohibited, limited, or impaired by:

19 "(1) Any otherwise applicable provisions of Article
20 8 (commencing with Section 8-1-150) of Chapter 1 of Title 8 of
21 or Article 2 (commencing with Section 13A-12-20) of Chapter 12
22 of Title 13A of the Code of Alabama 1975.

23 "(2) Any other statute whenever enacted that is
24 inconsistent with any provision of this amendment.

25 "(3) Any judicial order, decision, or opinion issued
26 prior to the operative date of this amendment that would
27 otherwise have the effect of prohibiting, limiting, or

1 impairing the conduct of covered games. No provision of this
2 amendment may be construed to allow a person to operate or
3 conduct covered games except as permitted pursuant to this
4 amendment.

5 "(c) Except as otherwise provided in Section 5(f),
6 nothing herein shall be deemed to impair, impede, or restrict
7 the operation of charitable bingo conducted pursuant to any
8 validly enacted constitutional amendment authorizing such
9 activity.

10 "Section 3. Compliance with Federal Law.

11 "The State of Alabama, acting by and through the
12 adoption of this amendment, and in accordance with the
13 provisions of 15 U.S.C. §1172, does hereby declare that any
14 and all lottery equipment, materials, paraphernalia, and
15 supplies and any and all covered games and equipment,
16 materials, paraphernalia, and supplies may be transported in
17 interstate commerce into or out of the state without violating
18 that section, or any other applicable federal law, if the
19 lottery equipment, materials, paraphernalia, and supplies are
20 used, to be used, or have been used in the conduct and
21 furtherance of the Alabama Lottery, and if the covered games
22 and equipment, paraphernalia, materials, and supplies are
23 used, to be used, or have been used, in the conduct of covered
24 games by racetracks.

25 "Section 4. State Gross Receipts Tax and Use of the
26 Proceeds Thereof; Local Gross Receipts Tax.

1 "(a) (1) A state gross receipts tax of 13 percent is
2 levied on the gaming gross revenue of each racetrack. To the
3 extent a racetrack owns and does not lease covered games
4 equipment that produces gaming gross revenue, an additional
5 state gross receipts tax of one percent of the gaming gross
6 revenue from the owned covered games equipment is levied on
7 the equipment.

8 "(2) The state gross receipts tax on gaming gross
9 revenue for each calendar month shall be paid by each
10 racetrack to the Department of Revenue on or before the
11 twentieth day of the next succeeding calendar month.

12 "(3) A local gross receipts tax of one percent is
13 levied on the gaming gross revenue of each racetrack.

14 "(4) Except as otherwise provided in subdivision
15 (5), the local gross receipts tax on gaming gross revenue for
16 each calendar month shall be paid to the county in which the
17 racetrack is licensed on or before the twentieth day of the
18 next succeeding calendar month. The county shall retain
19 one-half of the amount and shall apportion the remaining half
20 among the municipalities in the county on the basis of the
21 ratio of the population of the municipality to the population
22 of all the municipalities in the county and pay the amounts
23 apportioned to the municipalities forthwith.

24 "(5) The local gross receipts tax on gaming gross
25 revenue of a racetrack operating in a Class 1 or Class 2
26 municipality for each calendar month shall be paid to the
27 Class 1 or Class 2 municipality on or before the twentieth day

1 of the next succeeding calendar month. The municipality shall
2 retain one-half of the revenue, shall pay one-quarter of the
3 revenue to the county in which the municipality is principally
4 located, and shall apportion the remaining one-quarter of the
5 revenue to the municipalities in the county other than the
6 Class 1 or Class 2 municipality on the basis of the ratio of
7 the population of the municipality to the population of all
8 municipalities in the county other than the Class 1 or Class 2
9 municipality.

10 "(6) A state covered game vendor tax is hereby
11 levied on covered game vendors conducting business in the
12 state in an amount equal to four percent of the gross revenues
13 collected by the covered game vendor from leases or other
14 revenue sharing arrangements with a racetrack.

15 "(7) A covered game vendor shall pay the state
16 covered game vendor tax for each calendar month to the
17 Department of Revenue on or before the twentieth day of the
18 next succeeding calendar month.

19 "(8) The state gross receipts tax on gaming gross
20 revenue, the local gross receipts tax on gaming gross revenue,
21 and the state covered game vendor tax shall be in lieu of all
22 other state or local taxes or license fees levied with respect
23 to the conduct of covered games by a racetrack.

24 Notwithstanding the foregoing, a racetrack is liable for all
25 income taxes, franchise taxes, property taxes, lodging taxes,
26 and sales and use taxes on merchandise, food, and beverage

1 generally applicable at uniform rates to all businesses
2 operating in the county in which the racetrack is licensed.

3 "(9) The proceeds derived from the state gross
4 receipts tax on gaming gross revenues and the covered game
5 vendor tax shall be deposited in equal amounts in the State
6 General Fund and the Education Trust Fund.

7 "Section 5. Alabama Lottery and Gaming Commission;
8 creation; powers.

9 "(a) There is hereby created the Alabama Lottery and
10 Gaming Commission. The commission shall regulate and supervise
11 the operation of the Alabama Lottery and the Alabama Lottery
12 Corporation; implement, regulate, administer, supervise, and
13 enforce all laws and rules related to the operation and
14 conduct of covered games by racetracks; and cooperate with the
15 Attorney General and local district attorneys in enforcing all
16 laws related to illegal gambling.

17 "(b) The Alabama Lottery and Gaming Commission shall
18 consist of five members. One member of the commission shall be
19 appointed by the Governor with the advice and consent of the
20 Senate, one member shall be appointed by the Attorney General
21 with the advice and consent of the Senate, one member shall be
22 appointed by the Lieutenant Governor with the advice and
23 consent of the Senate, one member shall be appointed by the
24 Speaker of the House of Representatives with the advice and
25 consent of the Senate, and one member shall be appointed by
26 the President Pro Tempore of the Senate with the advice and
27 consent of the Senate. The appointment of the initial members

1 of the commission shall be made by those officials holding
2 office on the effective date of this amendment without the
3 advice and consent of the Senate and shall be made within 60
4 days of the effective date of this amendment. The members,
5 where possible, shall represent the gender and racial
6 diversity of the state. No more than two members may reside in
7 the same congressional district.

8 "(1) Members of the commission shall be residents of
9 the State of Alabama, United States citizens, and prominent
10 persons in their businesses or profession, may not have been
11 convicted of a felony, and may not be the executive director
12 of or another employee of the commission, an officer of or
13 occupy an official position in any political party, an elected
14 official, or actively engaged in the business of, or have a
15 pecuniary interest in, a racetrack.

16 "(2) Members shall serve a term of five years and
17 may serve two complete terms and any portion of an initial
18 term of less than five years or any portion of an unexpired
19 term to which appointed. Any vacancy occurring on the
20 commission shall be filled for the unexpired term by the
21 appointing authority as described in this section. The initial
22 term of office upon the effective date of this amendment shall
23 be one year for the member appointed by the Lieutenant
24 Governor, two years for the member appointed by the Governor,
25 three years for the member appointed by the Attorney General,
26 four years for the member appointed by the Speaker of the
27 House of Representatives, and five years for the member

1 appointed by the President Pro Tempore of the Senate. Each
2 member of the commission shall serve for the duration of his
3 or her term and until his or her successor is duly appointed
4 and confirmed by the Senate; provided, however, that if a
5 successor is not appointed and confirmed within 120 days after
6 the expiration of a member's term, a vacancy shall be deemed
7 to exist.

8 "(c) The commission and its members and employees
9 shall be subject to the Ethics Law, Section 36-25-1, et seq.,
10 Code of Alabama 1975; the Open Records Act, Section 36-12-40,
11 Code of Alabama 1975; the Open Meetings Act, Section 36-25A-1
12 et seq., Code of Alabama 1975; and the Administrative
13 Procedure Act, Section 41-22-1, et seq., Code of Alabama 1975.

14 "(d) In addition to other enforcement powers granted
15 by general law, the commission shall have full power and
16 authority to issue subpoenas and compel the attendance of
17 witnesses at any place within this state, to administer oaths,
18 and to require testimony under oath. Any process or notice may
19 be served in the manner provided for service of process and
20 notices in civil actions. The commission may pay such
21 transportation and other expenses of witnesses as the
22 commission deems reasonable and proper. Any person making a
23 false oath in any matter before the commission is guilty of
24 perjury. The commission may appoint hearing examiners who may
25 administer oaths and receive evidence and testimony under
26 oath.

1 "(e) The commission shall regulate and supervise the
2 conduct and operation of the Alabama Lottery and the Alabama
3 Lottery Corporation. In addition to the powers granted in
4 subsection (d), additional powers, procedures, and operations
5 of the commission with respect to regulation and supervision
6 of the Alabama Lottery and the Alabama Lottery Corporation
7 shall be enumerated in one or more general laws enacted by the
8 Legislature subsequent to and supplemental to this amendment
9 to further its purposes and provide for its implementation.

10 "(f) The commission shall regulate and supervise the
11 conduct and operation of covered games by racetracks. In
12 addition to the powers granted in subsection (d), additional
13 powers, procedures, and operations of the commission with
14 respect to regulation and supervision of covered games at
15 racetracks shall be enumerated in one or more general laws
16 enacted by the Legislature subsequent to and supplemental to
17 this amendment to further its purposes and provide for its
18 implementation, subject to the following provisions:

19 "(1) Upon ratification of the amendment, a racetrack
20 may operate covered games. If a racetrack operates covered
21 games under this subdivision, the provisions related to the
22 state gross receipts tax on gaming gross revenues, the local
23 gross receipts tax on gaming gross revenue, and the covered
24 game vendor tax are immediately applicable.

25 "(2) Until such time as the commission is fully
26 established, a local racing commission having jurisdiction of
27 a racetrack, in addition to the powers that it has under

1 existing law, shall have the same power to supervise the
2 conduct of covered games as it has to regulate and supervise
3 racing activities and pari-mutuel wagering thereon, with such
4 modification of such powers, not inconsistent with this
5 amendment, as is necessary or appropriate to adapt them to the
6 purposes of supervising the operation of covered games.

7 "(3) Nothing in this subsection prohibits, limits,
8 or alters the authority of any local racing commission with
9 respect to the continued regulation and supervision of racing
10 and pari-mutuel wagering at a racetrack.

11 "(4) Once the commission is fully established, the
12 commission shall assume the regulation and supervision of the
13 conduct and operation of covered games by racetracks and shall
14 issue an initial covered game license to each racetrack to
15 operate and conduct covered games for a period of 20 years.
16 Thereafter, the license shall renew automatically for a period
17 of five years subject to and in accordance with one or more
18 general laws enacted by the Legislature supplemental to and
19 subsequent to this amendment to further its purposes and
20 provide for its implementation, and subject to and in
21 accordance with rules adopted by the commission. The general
22 laws enacted to implement this amendment shall provide a basis
23 on which the commission may refuse to renew a license or a
24 license may be revoked or suspended.

25 "(5) The number of covered games in operation by a
26 racetrack and the percentage payout to a patron may not be

1 restricted or limited by any general or local law, a local
2 racing commission, or the commission.

3 "(6) A racetrack may not operate covered games
4 without remitting to the state the applicable state gross
5 receipts tax on gaming gross revenue.

6 "(7) A person under the age of 21 years may not play
7 any covered game, be employed to operate any covered game,
8 facilitate the playing of any covered game, or serve any
9 persons playing any covered game. This subsection does not
10 prohibit persons under the age of 21 years from being allowed
11 on the premises of a facility where covered games are being
12 played in areas of the facility in which covered games are not
13 being conducted.

14 "(8) A racetrack and an officer, director,
15 shareholder, member, or other owner of a racetrack may not
16 make a campaign contribution, whether monetary or in kind, to
17 any of the following or a political action committee or
18 principal campaign committee of any of the following:

19 "(A) An elected public official authorized to make
20 an appointment to the commission or a candidate for the office
21 of an elected public official authorized to make an
22 appointment to the commission.

23 "(B) A candidate for the Legislature.

24 "(f) The commission shall license, regulate, and
25 supervise the conduct and operation of charitable bingo games
26 pursuant to and in accordance with any validly enacted
27 constitutional amendment authorizing such activity; provided,

1 however, that bingo games operated pursuant to any validly
2 enacted constitutional amendment shall be limited to being
3 played on paper sheets or paper cards. Any provision in any
4 local constitutional amendment authorizing the conduct and
5 operation of charitable bingo games to the contrary is hereby
6 amended to conform to this provision. The powers, procedures,
7 and operations of the commission with respect to the
8 licensing, regulation, and supervision of charitable bingo
9 games shall be enumerated in one or more general laws enacted
10 by the Legislature subsequent to and supplemental to this
11 amendment to further its purposes and provide for its
12 implementation.

13 "(g) The Alabama Lottery Corporation may enter into
14 reciprocal agreements with other jurisdictions for the
15 operation and promotion of lottery games that are permitted by
16 the commission to be operated, utilized, or conducted.

17 "(h) The Alabama Lottery Corporation may conduct,
18 employ, include, or utilize only those lotteries approved by
19 the commission. Except as otherwise provided in this
20 amendment, the corporation may not operate, use, or employ,
21 and the commission, directly or indirectly, may not authorize
22 the operation, use, or employment of, any covered game by any
23 entity other than a racetrack.

24 "(i) The commission shall coordinate with local
25 communities and the racetracks in developing educational
26 programs and other social programs to enhance social and
27 public awareness of gaming-related issues.

1 "Section 6. Special Session for Enabling
2 Legislation.

3 "For the exclusive purpose of enacting general laws
4 to implement this amendment, the Legislature shall meet in
5 Extraordinary Session within 30 days after the effective date
6 of this amendment on a day determined jointly by the Speaker
7 of the House and the President Pro Tempore of the Senate. The
8 Legislature may meet for no more than 12 legislative days and
9 no other items of legislation may be considered during the
10 Extraordinary Session except by a vote of two-thirds of each
11 house.

12 "Section 7. Compact Negotiations.

13 "The Governor is hereby authorized and instructed to
14 negotiate in good faith a compact with the Poarch Band of
15 Creek Indians for the conduct and operation of covered games
16 at the three locations in Alabama where, on the effective date
17 of this amendment, the Poarch Band of Creek Indians conduct
18 gaming. Any such compact shall then be submitted to the
19 Legislature for ratification."

20 END OF PROPOSED AMENDMENT

21 Section 2. An election upon the proposed amendment
22 shall be held in accordance with Sections 284 and 285 of the
23 Constitution of Alabama of 1901, now appearing as Sections 284
24 and 285 of the Official Recompilation of the Constitution of
25 Alabama of 1901, as amended, and the election laws of this
26 state on September 15, 2015.

1 Section 3. The appropriate election official shall
2 assign a ballot number for the proposed constitutional
3 amendment on the election ballot and shall set forth the
4 following description of the substance or subject matter of
5 the proposed constitutional amendment:

6 "Proposing an amendment to the Constitution of
7 Alabama of 1901, to establish an Alabama Lottery and the
8 Alabama Lottery Corporation; to authorize and regulate gaming
9 by the four existing racetracks in Alabama where pari-mutuel
10 wagering is currently legal; to levy a state gross receipts
11 tax and a local gross receipts tax on gaming revenue of the
12 racetracks; to levy a tax on vendors of gaming equipment; to
13 provide for the allocation of lottery proceeds and state
14 gaming tax proceeds; to create the Alabama Lottery and Gaming
15 Commission to implement, regulate, and administer gaming and
16 regulate and supervise the Alabama Lottery Corporation; to
17 authorize the Governor to negotiate a compact for gaming with
18 the Poarch Band of Creek Indians; and to authorize the
19 Legislature to pass general laws to implement the amendment.

20 "Proposed by Act _____."

21 This description shall be followed by the following
22 language:

23 "Yes () No ()."