

SB

273

MAR 21 1988

STATE OF ALASKA
THE LEGISLATURE

POUCH Y : STATE CAPITOL
JUNEAU, ALASKA 99811
907 465-3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 21, 1988

SUBJECT: Section-by-Section Summary of SB 273,
An Act authorizing gambling enterprises

TO: Senator Bettye Fahrenkamp

FROM: George Utermohle *GU*
Legislative Counsel

This memorandum is a section-by-section summary of SB 273 as requested by Tom Moyer of your staff.

A section-by-section summary of a bill should not be considered an authoritative interpretation of the bill. The bill itself is the best statement of its contents.

Section 1 of the bill states the policy which the Legislature seeks to implement by enacting this bill.

Section 2 of the bill amends AS 05 by adding a new chapter.

CHAPTER 16. LEGALIZED GAMBLING.

Sec. 05.16.010 establishes the conditions under which gambling is permitted.

A person under 21 years of age may not gamble. Only card and dice games and numbers wheels are permitted. A person who operates a gambling enterprise, or an employee of a gambling enterprise may not extend credit to a patron of a gambling enterprise. A person may not receive a permit to operate a gambling enterprise or be employed by a gambling enterprise if the person has been convicted of a state or federal felony or gambling offense. Only a person who has completed classes on gambling at a school in a state where gambling is legal may be employed by a gambling enterprise. An employee of a gambling enterprise may not gamble while on duty for the gambling enterprise.

Within municipalities, the municipal government regulates gambling enterprises. Outside of municipalities, the Department of Revenue regulates gambling enterprises.

Sec. 05.16.020 authorizes the Department of Revenue to regulate gambling enterprises outside of municipalities, on state ferries, and on tour ships. Gambling may be conducted at the place and under the terms established in the license.

Municipalities within 10 miles of the location of a proposed gambling enterprise and law enforcement agencies must receive notice of and may comment on applications for a license for a gambling enterprise. Public hearings must be held in the vicinity of the proposed gambling enterprise before the license is issued. The department shall consider comments received on an application for a license. The department shall also consider the economic impact of a proposed gambling enterprise on gambling enterprises licensed by municipalities when it reviews applications for a gambling enterprise outside of a municipality.

The department may attach conditions to a license that limit the games that may be played, the hours of operation, and the availability of alcoholic beverages.

Sec. 05.16.030 provides that the Department of Revenue may adopt regulations necessary to implement AS 05.16. Among the regulations which the department may adopt are regulations relating to issuance renewal, suspension, and revocation of licenses, financial records of gambling enterprises, investigations of licensees and their employees, exclusion of certain persons from a gambling enterprise, conduct of gambling, accounting procedures, license fees, amounts of wagers, disclosures of financial interests in gambling enterprises, rates of return, dispute resolution procedures, bonds, and reports by municipalities.

Sec. 05.16.040 provides that the Department of Revenue may audit the records of gambling enterprises.

Sec. 05.16.050 requires that licensees provide monthly reports to the Department of Revenue.

Sec. 05.16.060 provides for the distribution of the net proceeds of a gambling enterprise. Half of the net proceeds of a gambling enterprise shall be paid to the Department of Revenue. Money received by the department shall be placed

into the general fund. This money may be appropriated to the department for implementation of this chapter, except that one-half percent may be used for treatment and counseling of compulsive gamblers.

Sec. 05.16.070 requires the Department of Revenue to issue a license for a gambling enterprise on state ferry vessels, if the commissioner of transportation and public facilities requests a license. The proceeds of a gambling enterprise on a state ferry may be used to fund the operations of the Alaska Marine Highway System.

Sec. 05.16.080 requires the Department of Revenue to cooperate with municipalities in the regulation and administration of gambling within municipalities.

Sec. 05.16.090 requires the Department of Revenue to make a report to the Governor and the Legislature by March 1 of each year.

Sec. 05.16.900 defines "department", "gambling", "gambling enterprise", and "tour ship".

Section 3 of the bill amends the definition of gambling in the criminal code so that it does not include gambling conducted under a license issued to a gambling enterprise by the state or a municipality.

Section 4 of the bill amends the definition of gambling enterprise in the criminal code so that it does not include a gambling enterprise licensed by the state or a municipality.

Section 5 of the bill adds regulation of gambling to the list of limitations on powers of home rule municipalities under AS 29.10.200.

Section 6 of the bill amends AS 29.35 by adding new sections related to the regulation of gambling enterprises within municipalities.

Sec. 29.35.600 authorizes a municipality to operate or license a person to operate a gambling enterprise within the municipality if the gambling enterprise enhances the historic character of the municipality, the municipality adopts an ordinance regulating gambling enterprises, and the ordinance is ratified by the voters of the municipality.

Sec. 29.35.610 establishes the requirements for a municipality that regulates gambling.

The municipality must adopt an ordinance regulating gambling. The ordinance must establish a commission responsible for licensing and regulating gambling enterprises, establish qualifications for members of the commission, provide for issuance, renewal, suspension, and revocation of licenses for gambling enterprises, establish the terms and conditions under which gambling is permitted, provide for distribution of the proceeds of a gambling enterprise, require disclosure of persons having a financial interest in a gambling enterprise, and require detailed records.

Gambling within a municipality is limited to card and dice games and numbers wheels. The municipality may regulate the availability of alcoholic beverages at a gambling enterprise. Members and employees of the municipal gambling commission may not participate in or have a financial interest in a gambling enterprise.

A municipality that regulates gambling must submit a report each year to the Department of Revenue.

Sec. 29.35.620 provides for the distribution of proceeds of gambling enterprise licensed by a municipality. Three and one-half percent of the gross proceeds of a gambling enterprise shall be paid to the Department of Revenue for deposit into the general fund. The municipality shall receive all of the proceeds of a municipally operated gambling enterprise less the 3½ percent paid to the Department of Revenue. The municipality shall receive that portion of the proceeds of a gambling enterprise licensed by the municipality and operated by someone other than the municipality, that the municipality and the licensee may agree upon, provided that 3½ percent of the gross receipts is paid to the Department of Revenue.

Sec. 29.35.630 provides that a municipality may dedicate the revenue derived from a gambling enterprise to a public purpose.

Sec. 29.35.640 provides that AS 29.35.600 - 29.35.690 apply to home rule and general law municipalities.

Senator Bettye Fahrenkamp
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Sec. 29.35.690 defines the terms "gambling" and "gambling enterprise".

Section 7 of the bill provides that the bill takes effect immediately.

GU:bb
b4/027

Alaska State Legislature

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Senate

MEMORANDUM

TO: Senator Mitch Abood, Chairman
Senate State Affairs Committee

FROM: Senator Bettye Fahrenkamp

DATE: March 24, 1988

RE: SB 273 An Act authorizing gambling enterprises; and providing for an effective date.

What the bill does

SB 273 would authorize casino style gambling on a limited basis in municipalities (with local voter approval), unincorporated areas, and on the Alaska Marine Highway and tour ships.

Background

I introduced this bill because I believe gambling enterprises will make a contribution to the prosperity of the state in a time of declining and uncertain state revenue. It would enhance Alaska as a tourist destination and create jobs. We already allow forms of gambling such as bingo, Monte Carlo nights, and pool classics, and it's no secret that other forms of gambling take place right now.

Limited Gambling Authorized by the bill

SB 273 authorizes limited casino style gambling. I believe that once made legal, these gambling enterprises can be conducted honestly, free from criminal and corrupt persons and practices. I do not believe it will engender the high roller style gambling found amongst the glitz and glitter of Las Vegas.

Gambling under SB 273 is limited in the following ways:

- * Municipalities must adopt an ordinance regulating gambling and have it ratified by a majority of voters within its boundary.

* Only card, dice, and number wheels would be allowed, the kinds of games played at the turn of the century in Alaska. No slot machines would be allowed by this measure.

* A gambling enterprise within a municipality must enhance the historic character of the municipality. No glitz and glitter, no chrome and glass.

* Gambling enterprises may not extend credit to its patrons. Large cash or credit transactions provide an opportunity for loan sharks and quick buck artists.

Revenue Distribution

Municipalities may decide to run gambling operations themselves, or license the operation, and must pay three and one half percent of gross revenues to the Department of Revenue.

Licensed operators in unincorporated areas must pay fifty percent of the net proceeds to the department.

All of the revenue derived from gambling on ferries would be deposited in the general fund.

In recognition that a small percentage of gamblers can become compulsive, one half a percent of state income from gambling may be appropriated by the legislature for treatment and counseling.

Sectional Analysis

See attached.

FISCAL NOTE

REQUEST: _____

Revision Date: _____
Title: "An Act authorizing gambling enterprises..."
Sponsor: Fahrenkamp
Requestor: State Affairs

Agency Affected: Revenue
BRU: Income and Excise Audit Division
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
OPERATING						
PERSONAL SERVICES		247.2	247.2	247.2	247.2	247.2
TRAVEL		6.0	6.0	6.0	6.0	6.0
CONTRACTUAL		32.0	14.5	14.5	14.5	14.5
SUPPLIES		5.0	5.0	5.0	5.0	5.0
EQUIPMENT						
LANDS & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		290.2	272.7	272.7	272.7	272.7
CAPITAL						
REVENUE			250.0	500.0	750.0	1000.0

FUNDING: (Thousands of Dollars)

GENERAL FUND		290.2	272.7	272.7	272.7	272.7
FEDERAL FUNDS						
OTHER						
TOTAL		290.2	272.7	272.7	272.7	272.7

POSITIONS:

FULL-TIME		5.0	5.0	5.0	5.0	5.0
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)
See Attached

Prepared By: Steven E. Kettel Phone: (907) 465-2320
Division: Income and Excise Audit Division Date: March 24, 1988
Approved by Commissioner: Hugh Malone Date: 3/24/88
Agency: Department of Revenue

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

Prepared By: Steven E. Kettel
Income and Excise Audit Division
March 24, 1988

SB 273 ANALYSIS

Personal Services

<u>Position</u>	<u>Range/Step</u>	<u>FY 89 Budget</u>
Clerk III	8A	\$29.4
Tax Examiner II	12A	\$34.0
Revenue Auditor IV	20A	\$55.9
Revenue Auditor IV	20A	\$55.9
Revenue Audit Supervisor I (Chief of Gaming)	24A	\$72.0
	TOTAL:	\$247.2

Travel

Associated travel to conduct hearings, audits, and/or investigations	\$6.0
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Contractual

Training	\$8.0
Telephone	\$2.5
Printing	\$4.0
Chairs	\$5.0
Modular Offices	\$9.0
5.drawer Legal Files	\$3.5
	TOTAL: \$32.0

Supplies

Office Supplies	TOTAL: \$5.0
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Prepared By: Steven E. Kettel
Income and Excise Audit Division
March 24, 1988

SB 273 ANALYSIS

The Department of Revenue believes its primary responsibility is to collect, invest, and share state revenues. Although we do have several programs in the department which are indirectly related to that program, the administration of gambling contemplated by this bill would be difficult to accomplish with our present expertise. We would suggest perhaps a Gaming Commission be established or locate the administration of this program in another department, such as Commerce. Based on the bill as currently drafted we have prepared the fiscal note with the administration being accomplished by creating a gaming unit in our Income and Excise Audit Division.

Personal Services

Under the bill "strict" regulation and control would be required to accomplish this in conjunction with Public Safety. The Department of Revenue would be responsible for licensing, auditing, collecting tax and generally administering the gaming laws. The department would be required to conduct public hearings on each gaming enterprise license, do investigations, conduct audits and review financial reports of the gaming enterprise.

This activity would require the department to create a gaming unit, comprising of a chief to supervise the gaming unit and act as lead auditor during audits and/or investigations. Two auditors would be required to do the auditing of financial statements, conduct investigations of personnel and review the methods and manners of the enterprises accounting system for receipts and disbursements. A tax examiner would be required to process returns, issue licenses and provide assistance to the public. A clerk typist would be utilized by all positions in the unit.

Revenue

This revenue estimate is at best a guess. It is assumed that the earliest the gaming enterprises could operate is during FY 90. Based on the proposed bill, 50% of net proceeds of all operations outside municipalities would be collected by the department on a monthly return. The department believes a net proceeds tax filed on a monthly basis would be very difficult to prepare and a burden to the gaming enterprise. Revenue would also be received from gaming activities on state ferries. Additionally, gaming enterprises within municipalities would pay 3.5% of gross proceeds to the department. It is very difficult to estimate what the actual revenue would be. Many factors are involved. Currently, as we understand it, three municipalities: Fairbanks, Nome, and Skagway, have expressed their desire to have these activities in their communities. In order to do a more comprehensive revenue projection, specific details would be required, such as how many and what type of games would be on the marine Highway System.