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146

IN THE SENATE

BY SZYMANSKI, FAIKS AND PEARCE

SENATE BILL NO. 146

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act allowing gaming devices on ferries."

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

* Section 1. AS 19.65 is amended by adding new sections to read:

Sec. 19.65.030. GAMING DEVICES AUTHORIZED. (a) The Department of Revenue may license a vessel of the Alaska marine highway system to operate gaming devices in the portion of the vessel that is licensed under AS 04 to sell alcohol *Persons under 21 yrs of age are prohibited from entering*

(b) A license issued under (a) of this section is not valid when the vessel is in a jurisdiction outside of the state unless that jurisdiction also allows the licensed activity.

(c) The commissioner of revenue may adopt regulations under the Administrative Procedure Act (AS 44.62) to implement this section.

Sec. 19.65.040. PROHIBITIONS ON GAMING DEVICE OPERATION; PENALTIES. (a) An employee of the Alaska marine highway system may not allow a person under 21 years of age to use a gaming device authorized under AS 19.65.030. A person under 21 years of age may not use a gaming device authorized under AS 19.65.030.

(b) A person may not manipulate or attempt to manipulate the outcome or payoff of a gaming device authorized under AS 19.65.030 by physically tampering or otherwise interfering with the proper functioning of the device.

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

Sec. 19.65.050. The Department of Transportation and Public Facilities shall deposit receipts from the operation of gaming devices

1 under AS 19.65.030 in the general fund. The commissioner of adminis-
2 tration shall separately account for money deposited under this sec-
3 tion. The legislature may appropriate money in the account for the
4 operation of the Alaska marine highway system.

5 Sec. 19.65.060. DEFINITION FOR AS 19.65.030 - 19.65.060. In
6 AS 19.65.030 - 19.65.060 "gaming device" means equipment or a mechan-
7 ical, electromechanical, or electronic contrivance, component, or
8 machine that affects the result of a wager by determining wins or
9 losses in connection with a game in which, by the skill of the player
10 or by chance, or both, the player may receive free games or credit
11 that can be redeemed for cash; "gaming device" does not include a
12 machine that directly dispenses coins or cash.

13 * Sec. 2. AS 11.66.280(2) is amended to read:

14 (2) "gambling" means that a person stakes or risks some-
15 thing of value upon the outcome of a contest of chance or a future
16 contingent event not under the person's control or influence, upon an
17 agreement or understanding that that person or someone else will
18 receive something of value in the event of a certain outcome; "gambl-
19 ing" does not include

20 (A) bona fide business transactions valid under the
21 law of contracts for the purchase or sale at a future date of
22 securities or commodities and agreements to compensate for loss
23 caused by the happening of chance, including contracts of indem-
24 nity or guaranty and life, health, or accident insurance; [OR]

25 (B) playing an amusement device that

26 (i) confers only an immediate right of replay not
27 exchangeable for something of value other than the privilege
28 of immediate replay; and

29 (ii) does not contain a method or device by which

the privilege of immediate replay may be cancelled or revoked; or

(C) an activity authorized by the commissioner of revenue under AS 05.15 or AS 19.65.030;

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

(3) "gambling device" means any device, machine, paraphernalia, or equipment that is used or usable in the playing phases of unlawful gambling, whether it consists of gambling between persons or gambling by a person involving the playing of a machine; "gambling device" does not include

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

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

(C) a gaming device authorized under AS 19.65.030;

* Sec. 4. AS 11.66.280(4) is amended to read:

(4) "gambling enterprise" means a gambling business that

(A) includes five or more persons who conduct, finance, manage, supervise, direct, or own all or part of the business;

(B) has been or remains in substantially continuous operation for a period in excess of 30 days or has a gross income of \$2,000 or more in any single day; and

(C) is not

(i) a vessel of the Alaska marine highway system lawfully conducting an activity licensed under AS 19.65.030;
or

(ii) a municipality or a qualified organization under AS 05.15.210, except that, for purposes of this subparagraph [PARAGRAPH], no application for a license under AS 05.15 is

1 required to be considered a qualified organization;
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Original sponsors: Szymanski, Faiks,
and Pearce

IN THE SENATE

BY THE TRANSPORTATION COMMITTEE

CS FOR SENATE BILL NO. 146 (Transportation)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act allowing gaming devices on ferries."

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

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Sec. 19.65.030. GAMING DEVICES AUTHORIZED. (a) The Department of Revenue may license a vessel of the Alaska marine highway system to operate gaming devices in a portion of the vessel that persons under 21 years of age are prohibited from entering.

(b) A license issued under (a) of this section is not valid when the vessel is in a jurisdiction outside of the state unless that jurisdiction also allows the licensed activity.

(c) The commissioner of revenue may adopt regulations under the Administrative Procedure Act (AS 44.62) to implement this section.

Sec. 19.65.040. PROHIBITIONS ON GAMING DEVICE OPERATION; PENALTIES. (a) An employee of the Alaska marine highway system may not allow a person under 21 years of age to use a gaming device authorized under AS 19.65.030. A person under 21 years of age may not use a gaming device authorized under AS 19.65.030.

(b) A person may not manipulate or attempt to manipulate the outcome or payoff of a gaming device authorized under AS 19.65.030 by physically tampering or otherwise interfering with the proper functioning of the device.

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

Sec. 19.65.050. The Department of Transportation and Public Facilities shall deposit receipts from the operation of gaming devices

under AS 19.65.030 in the general fund. The commissioner of administration shall separately account for money deposited under this section. The legislature may appropriate money in the account for the operation of the Alaska marine highway system.

Sec. 19.65.060. DEFINITION FOR AS 19.65.030 - 19.65.060. In AS 19.65.030 - 19.65.060 "gaming device" means equipment or a mechanical, electromechanical, or electronic contrivance, component, or machine that affects the result of a wager by determining wins or losses in connection with a game in which, by the skill of the player or by chance, or both, the player may receive free games, credit, or tokens that can be redeemed for cash; "gaming device" does not include a machine that directly dispenses coins or cash.

* Sec. 2. AS 11.66.280(2) is amended to read:

(2) "gambling" means that a person stakes or risks something of value upon the outcome of a contest of chance or a future contingent event not under the person's control or influence, upon an agreement or understanding that that person or someone else will receive something of value in the event of a certain outcome; "gambling" does not include

(A) bona fide business transactions valid under the law of contracts for the purchase or sale at a future date of securities or commodities and agreements to compensate for loss caused by the happening of chance, including contracts of indemnity or guaranty and life, health, or accident insurance; [OR]

(B) playing an amusement device that

(i) confers only an immediate right of replay not exchangeable for something of value other than the privilege of immediate replay; and

(ii) does not contain a method or device by which

the privilege of immediate replay may be cancelled or revoked; or

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

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(4) "gambling enterprise" means a gambling business that

(A) includes five or more persons who conduct, finance, manage, supervise, direct, or own all or part of the business;

(B) has been or remains in substantially continuous operation for a period in excess of 30 days or has a gross income of \$2,000 or more in any single day; and

(C) is not

(i) a vessel of the Alaska marine highway system lawfully conducting an activity licensed under AS 19.65.030; or

(ii) a municipality or a qualified organization under AS 05.15.210, except that, for purposes of this

subparagraph [PARAGRAPH], no application for a license under AS 05.15 is required to be considered a qualified organization;

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A M E N D M E N T

OFFERED IN THE SENATE

BY JONES

TO: SB 146

Page 2, line 10, before "credit":

Delete "or"

Insert ", "

Page 2, line 10, after "credit":

Insert ", or tokens"

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 5-DAY NOTICE March 23, 1989
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER

SA
FIN

**FISCAL NOTE(S) MUST BE ATTACHED
IN ACCORDANCE WITH AS 24.08.035
1/30/89

DATE TURNED INTO OFFICE March 31, 1989

Mr. President:

TRANSPORTATION

Committee considered

SB 146

allowing gaming devices on ferries

and recommended:

replace with CS SB 146 (Trsp) same title
 attached amendment(s) and new title

_____ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

FISCAL NOTE(S) attached zero
 appropriation no FN attached

fiscal impact
 Gov. FN introduced w/ bill

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

[Signature]

[Signature]

[Signature]
Chairman signature and recommendation

Committee backup attached

**STATE OF ALASKA
1989 LEGISLATIVE SESSION**

BILL VERSION: SB 146

PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: "allowing gaming devices on ferries"
 Sponsor: Szymanski, Faiks & Pearce
 Requestor: Szymanski, Faiks & Pearce
 Agency Affected: DOT&PF - AMHS
 BRU: Marine Operations
 Components: SF Vessel Operations and Overhaul

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES		35.0	37.0	38.0	39.0	40.0
TRAVEL						
CONTRACTUAL		30.0	-	-	-	-
SUPPLIES		10.0	-	-	-	-
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		75.0	37.0	38.0	39.0	40.0

CAPITAL		0	0	0	0	0
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REVENUE		150.0	155.0	160.0	165.0	170.0
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FUNDING: (Thousands of Dollars)

GENERAL FUND		75.0	37.0	38.0	39.0	40.0
FEDERAL FUNDS						
OTHER						
TOTAL		75.0	37.0	38.0	39.0	40.0

POSITIONS:

FULL-TIME		0	0	0	0	0
PART-TIME		0	0	0	0	0
TEMPORARY		0	0	0	0	0

ANALYSIS : (Attach a separate page if necessary)

See attachment

Prepared by: Tom Shanley Phone: 465-3955
 Division: Alaska Marine Highway System Date: 3/29/89

Approved by Commissioner: [Signature] Date: 3/29/89
 Agency: Department of Transportation and Public Facilities

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

DOT&PF FISCAL ANALYSIS FOR

SENATE BILL NO. 146

EXPENDITURES

Personnel Services - added cost would be overtime needed to supervise the gaming devices on the three vessels. Estimate \$12.0 per ship - no added position would be created.

Contractual - there will be approximately \$10.0 cost to upgrade electrical service to handle the 12 machines on each vessel.

Supplies - miscellaneous supplies such as mounting devices to make the games sea worthy.

Revenue - there is no sure way to predict the revenue. We doubled the revenue we are currently making on the 25 video games that are installed at this time. \$150.0 should be a conservative figure.

**STATE OF ALASKA
1989 LEGISLATIVE SESSION**

BILL VERSION: CS SB 146 (Trap)
PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

Revision Date: 04/03/89
Title: "An Act allowing gaming devices on ferries"
Sponsor: Szymanski, Paiks, & Pearce
Requestor: _____

Agency Affected: DOTPF - AMHS
BRU: Marine Operations
Components: Southeast Vessel Operations and Overhaul

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES		36.0	36.0	36.0	36.0	36.0
TRAVEL						
CONTRACTUAL		30.0				
SUPPLIES		10.0				
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		76.0	36.0	36.0	36.0	36.0
CAPITAL		-0-				
REVENUE		150.0	155.0	160.0	165.0	170.0

FUNDING: (Thousands of Dollars)

GENERAL FUND		76.0	36.0	36.0	36.0	36.0
FEDERAL FUNDS						
OTHER						
TOTAL		76.0	36.0	36.0	36.0	36.0

POSITIONS:

FULL-TIME		-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

See attached.

Prepared by: G. W. Davidson, System Director Phone: 465-3950
Division: Alaska Marine Highway System Date: _____
Approved by Commissioner: Mark S. Hickey Date: 4/5/89
Agency: Department of Transportation & Public Facilities

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

FISCAL ANALYSIS**CS Senate Bill 146 (Trsp)**

An effective date of July 1, 1989 is assumed. Twelve gaming devices would be installed on each of three mainline vessels of the Alaska Marine Highway System (AMHS) fleet in the Southeast System.

Expenditures:

Personal Services - No additional positions would be required. Overtime would be increased by \$12.0 on each of the three ships to allow for supervision and attendance of the gaming devices.

Contractual Services - A one-time expenditure of \$30.0 will be required to upgrade the electrical service on the three vessels. Recurrent costs beyond FY 90 will be negligible with the current scope of the project.

Supplies - Start-up supplies, including mounting devices for seaworthiness on each machine. Recurrent costs beyond FY 90 will be negligible with the current scope of the project.

Capital Costs:

Costs of the equipment would be borne by a private vendor solicited on a competitive basis for a partnership basis similar to the current arrangement for video games. A maximum of twelve machines on each of the three vessels will be installed to avoid major rewiring or remodeling costs.

Revenues:

Revenue estimates shown are conservative based on the trends experienced by the 25 video games currently installed on AMHS ships.



Alaska State Legislature

Senator Mike Szymanski

While in Session:

P.O. Box V
State Capitol, Room 11
Juneau, Alaska 99811
(907) 465-4978/4979
FAX (907) 465-2652

POSITION PAPER:

SB 146

During Interim:

3111 C Street, Suite 510
Anchorage, Alaska 99503
(907) 561-7617

165 E. Parks Highway
Legislative Information Office
Wasilla, Alaska 99687
(907) 376-MIKE

The State of Alaska is currently challenged by a fiscal crisis which will affect the quality and availability of services that the state can provide to its residents. In order to balance the State's budget and develop a sustainable level of funding, the Legislature has two options: cut the budget and develop sources of revenue. Senate Bill 146 proposes to accomplish the latter; to develop a new source of revenue for the state by allowing gambling machines to be placed on state ferries.

SB 146 would permit the Department of Revenue to license a vessel of the Alaska Marine Highway System to operate gaming machines in the portion of the vessel that is licensed to sell alcohol. The intent of the bill is to make gaming devices, such as video poker games and electronic slot machines, available for the entertainment of ferry passengers patronizing the vessels' bar areas. According to estimates by DOTPF, twelve machines, which are similar to arcade-type video games, have the potential to generate net revenues of approximately \$75,000 a year.

The Alaska Marine Highway System has four mainliner ferries, the M/V Matanuska, the M/V Malaspina, the M/V Columbia and the M/V Taku, which run between Seattle and ports in Southeast Alaska. The annual passenger traffic on the mainliner vessels is approximately 234,000 people, many of whom are tourists. Since many commercial cruise lines currently offer gaming machines on their tour ships, allowing passengers to enjoy gaming machines on the state ferries would help to upgrade the ferries' entertainment services and enhance the visitors' travel experience. Ferry gaming could also become a focal point for marketing the Alaska Marine Highway System to the travel industry.

Since gaming areas will be limited to the portion of the ferry licensed to serve alcohol, minors will be prohibited access to the machines. Locating the gaming machines in the licensed areas will also enable ferry staff to supervise the gaming areas and provide adequate security against machine tampering and unauthorized use.

SB 146 has the potential to alleviate some of the impact of budget shortfalls currently facing the state. In this time of financial crisis, we need to examine and consider all options for raising additional revenue. Allowing gaming machines to be placed on state ferries may enable the Alaska Marine Highway System to become more cost-effective in its operations and competitive in the travel market.

Senate District E

Mat-Su • So. Anchorage • Bird/Indian • Girdwood • Whittier • Nikiski • Cooper Landing • Hope • Seward • Cordova • Valdez

Department of Transportation & Public Facilities



POSITION PAPER

BILL NO: SB No. 146

APPROVED: *[Signature]*

TITLE: Gambling Devices on State Ferries DATE: March 29, 1989

The Alaska Marine Highway System (AMHS) supports Senate Bill No. 146 to allow electronic gaming devices on board the vessels of the fleet. There is no doubt this form of entertainment would be enjoyed by a large percentage of our passengers and could generate much needed additional revenue.

There are a few suggestions we would like to make which, if accepted, would give us more flexibility in implementation, as well as future alterations. Because this concept has not been tried before we can only speculate what the results will be. There will be by necessity a learning curve and it is in this context that we would like to be able to use slightly different approaches if it appears needed.

Page 1, Lines 9-11 - change to:

Sec. 19.65.030. Gaming Devices Authorized. (a) The Department of Revenue may license a vessel of the Alaska Marine Highway System to operate gaming devices in a portion of the vessel that is not accessible to minors.

The most likely place to locate the machines is in the cocktail lounges but it might be advantageous to move them to a different location and we would like to have that flexibility.

Page 2, Lines 10-12 - change to read:

...or by chance, or both, the player may receive free games, credit or tokens that can be redeemed for cash.

The concept in the bill is similar to the system used in the State of Montana which works well. We agree a similar system could be the place to start but would like to have the authority to dispense tokens, but not cash if it looked more effective operationally.

Other than these changes we feel it is a workable and positive approach to improving the profitability of the AMHS vessels.

The fiscal note was approached from the standpoint of implementing gaming devices in the most inexpensive possible way. This pilot project would install at least twelve machines on the M/V MALASPINA, MATANUSKA and the COLUMBIA in the cocktail lounges.

For further

DOT/IF Position Paper

at 465-3900

Twelve machines were selected because this is the most which can be installed without major rewiring and remodeling costs and is adequate to determine the feasibility of gambling on a pilot basis. As currently envisioned the capital cost would be funded by a vendor who would work on a partnership basis similar to the video games that are currently being used. This business would be solicited on a competitive basis. After implementation, or during the planning stages, another approach might be used if it were found to be more cost effective. Should this pilot project be successful enough to warrant the installation of substantially more machines higher costs for modification of the vessels and perhaps additional crew for security would be required.

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

January 24, 1989

SUBJECT: Gambling on Ferries
(Work Order No. 6-0363E)

TO: Senator Mike Szymanski

FROM: Terri Lauterbach
Legislative Counsel *TL*

Following is a sectional analysis of this work order:

Sec. 1.

AS 19.65.030. This section authorizes the Department of Revenue to license a state ferry to operate gaming devices in the part of the vessel that is licensed to sell alcohol. The license would not be valid when the vessel is in another jurisdiction that does not allow gambling.

AS 19.65.040. This section prohibits use of gaming devices by persons under the age of 21. It also prohibits tampering with gaming devices.

AS 19.65.050. This section directs the commissioner of transportation and public facilities to deposit ferry gambling receipts in the general fund where they will be separately accounted for by the commissioner of administration. The legislature may then appropriate the money for operation of the ferry system or for any other purpose.

AS 19.65.060. This section provides a definition of "gaming device." It includes all devices that allow a player to win a free game or to receive credits that can be redeemed for cash. It does not include devices that directly dispense cash.

Secs. 2 - 4. These sections amend criminal laws relating to illegal gambling to clarify that they do not apply to gambling authorized under sec. 1 of the bill.

Please let me know if I can be of further assistance.

TL:kb
wkk1/074

-Sectional analysis