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168

Introduced: 2/8/89
Referred: Community and Regional
Affairs, State Affairs and
Finance

6-0672E

IN THE SENATE

BY FAHRENKAMP

SENATE BILL NO. 168

IN THE LEGISLATURE OF THE STATE OF ALASKA
SIXTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act authorizing gambling enterprises in municipalities [and on state ferries]; and providing for an effective date."

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

* Section 1. POLICY. Gambling enterprises licensed [by the state or] by municipalities offer a substantial contribution to the welfare and prosperity of the state and an opportunity to offset declining revenue. The success of the limited gambling operations authorized by this Act is dependent upon strict regulation and control of all persons, locations, practices, and activities related to operation of licensed gambling enterprises. Strict regulation and control will ensure that gambling is conducted honestly and free from criminal and corrupt persons, practices, and influences. All premises where gambling is conducted must be licensed by [either the state or] a municipality. To further local control over the conduct of gambling, residents of each municipality authorized to operate or license gambling operations under this Act must vote to approve gambling before it can occur in the municipality.

* Sec. 2. AS 05 is amended by adding a new chapter to read:

CHAPTER 16. LEGALIZED GAMBLING.

Sec. 05.16.010. GAMBLING PERMITTED. (a) Gambling is permitted within the limitations of this section.

(b) A person under 21 years of age may not gamble.

(c) Only numbers wheels and card and dice games may be operated for the purposes of gambling.

(d) A person licensed to operate a gambling enterprise or an employee of a gambling enterprise may not extend credit to a patron of a gambling enterprise.

(e) A person may not receive a license to operate a gambling enterprise or be employed by a gambling enterprise if that person has been convicted of a felony or an offense defined in AS 11.66.200 - 11.66.280 or a comparable provision of a municipal ordinance or state or federal law.

(f) Only a person who has successfully completed a course of study in a curriculum for employees of a gambling enterprise at a school licensed by a state where gambling is legal may be employed by a gambling enterprise.

(g) An employee of a gambling enterprise may not gamble while on duty for the gambling enterprise.

(h) Within the boundaries of a municipality, gambling may be conducted under AS 29.35.600 - 29.35.690.

(i) On a vessel of the Alaska marine highway system, gambling may be conducted under the terms of licenses issued by the department under AS 05.16.020.

(j) Gambling is not authorized under this section in areas outside the boundaries of a municipality, except as provided in (i) of this section.

Sec. 05.16.020. LICENSED GAMBLING ON STATE FERRIES. (a) The department shall issue a license for a gambling enterprise on vessels of the Alaska marine highway system if the commissioner of transportation and public facilities applies for a license.

(b) The proceeds of a gambling enterprise licensed under this section shall be paid into the general fund. The commissioner of administration shall separately account for money that the Department

of Transportation and Public Facilities deposits in the general fund under this subsection. The annual estimated balance in the account may be used by the legislature to make appropriations to the Department of Transportation and Public Facilities to carry out the purposes of this section.]

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(5) the form and content of reports by municipalities on their administration and regulation of gambling.

Sec. 05.16.060. ANNUAL REPORT. The department shall make a report to the governor and the legislature by March 1 of each year on its administration of this chapter, the regulation of gambling by municipalities, and its recommendations for legislation necessary for the regulation of gambling in this state.

Sec. 05.16.000. DEFINITIONS. In this chapter

(1) "department" means the Department of Revenue;

(2) "gambling" means that a person stakes or risks something of value upon the outcome of a game or a future contingent event not under the person's control or influence, upon the agreement or understanding that the person or someone else will receive something of value in the event of a certain outcome; "gambling" does not include activities authorized under AS 05.15;

(3) "gambling enterprise" means a business licensed to conduct gambling.

* Sec. 3. 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;

(C) an activity authorized by the commissioner of revenue under AS 05.15 or AS 05.16; or

(D) an activity licensed under AS 29.35.600 - 29.35.690;

* 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 a municipality or a qualified organization under AS 05.15.210 except that, for purposes of this paragraph, no application for a license under AS 05.15 is required to be considered a qualified organization; and

(D) is not licensed under AS 05.16 or AS 29.35.600 - 29.35.690;

* Sec. 5. AS 29.10.200 is amended by adding a new paragraph to read:

(5) AS 29.35.600 - 29.35.690 (gambling).

* Sec. 6. AS 29.35 is amended by adding new sections to read:

ARTICLE 9. GAMBLING WITHIN MUNICIPALITIES.

Sec. 29.35.600. AUTHORIZATION. Subject to AS 05.16.010, a municipality may operate or license a person in the municipality to operate a gambling enterprise if

(1) the municipality adopts an ordinance permitting gambling enterprises in the municipality and the ordinance is ratified by a majority of the voters of the municipality; the governing body of the municipality may require that voter approval of an ordinance proposed under this paragraph be by more than a majority of the voters of the municipality;

(2) the economy of the municipality depends substantially on tourism;

(3) the municipality has a substantial history of gambling during the gold rush era of 1890 to 1910; and

(4) the gambling enterprise enhances the historic character of the municipality.

Sec. 29.35.610. REGULATION OF GAMBLING. (a) The municipal ordinance providing for licensing and regulation of gambling enterprises within a municipality authorized to license or operate gambling enterprises under AS 29.35.600 shall

(1) establish a commission responsible for municipal licensing and regulation of gambling enterprises consisting of at least seven members including

(A) a member of the governing body;

(B) a person experienced in law enforcement;

(C) a person trained in accounting or bookkeeping;

(D) a person active in the tourism industry;

(E) a historian or other person familiar with the history of the municipality; and

(F) two public members;

(2) establish qualifications for persons employed by the commission;

(3) provide for issuance, renewal, suspension, and revocation of licenses for gambling enterprises and for the immediate suspension or revocation of a license for a violation of AS 05.16.010, AS 29.35.600 - 29.35.690, or a municipal gambling ordinance;

(4) establish

(A) dates and hours of operation for gambling enterprises;

(B) locations in the municipality where gambling enterprises may be located;

(C) the games permitted;

(D) the number of gaming tables permitted on the premises of a gambling enterprise;

(E) the maximum amount of wagers permitted in games;

(F) a schedule of fees for licenses;

(G) allowable rates of return on investment for gambling enterprises;

(H) auditing procedures for gambling enterprises;

(5) provide for the distribution of gambling proceeds including the amounts or proportions allocated to the gambling enterprise and to winners;

(6) require disclosure of the identity of persons having a financial interest in a gambling enterprise and the nature of the interest;

(7) require detailed financial records of gambling enterprises.

(b) The municipality may operate or license a person in the municipality to operate only numbers wheels and card and dice games

for the purposes of gambling.

(c) The municipality may establish by ordinance whether alcoholic beverages may be sold on the premises of a gambling enterprise.

(d) A member of a commission responsible for municipal licensing and regulation of gambling enterprises and employees of the commission may not participate in or have a financial interest in a gambling enterprise.

(e) The municipality shall make a report to the Department of Revenue by February 1 of each year on its administration and regulation of gambling during the preceding year in the form prescribed by the department.

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Sec. 29.35.620. PROCEEDS. (a) A municipality that operates or licenses a person to operate a gambling enterprise under AS 29.35.600 shall collect three and one-half percent of the gross proceeds from the gambling enterprise and pay that amount to the Department of Revenue for deposit in the general fund.

(b) If the municipality operates a gambling enterprise, the municipality shall receive all of the proceeds from the gambling enterprise, except the amount paid to the Department of Revenue under (a) of this section.

(c) If the municipality licenses a person in the municipality to operate a gambling enterprise, the municipality and the licensee may divide the proceeds from the gambling enterprise under the terms of the license after subtracting the amount paid to the Department of Revenue under (a) of this section.

Sec. 29.35.630. REVENUE DERIVED FROM GAMBLING ENTERPRISES. The fees, proceeds, and other revenue that a municipality receives from gambling enterprises may be used for public purposes as the municipality may determine by ordinance.

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

Sec. 29.35.690. DEFINITION. In AS 29.35.600 - 29.35.690 "gambling" and "gambling enterprise" have the meanings given in AS 05.16.-900.

* Sec. 7. This Act takes effect immediately under AS 01.10.070(c).

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SENATE COMMITTEE REPORT

FURTHER

SA
FIN

3/15/89

DATE TURNED INTO OFFICE March 31, 1989

Mr. President:

TRANSPORTATION

Committee considered SB 168

authorizing gambling enterprises in municipalities and on state ferries; efd

and recommended

- replace with _____ CS _____) same title
- or adopt _____ CS _____) new title
- attached amendment(s) and technical title change (HB only)
- _____ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

Pres: FIS

FISCAL NOTE(S) zero fiscal impact appropriation no FN
 new updated previous
 same as previous fiscal note(s) published _____

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Gahringer

F. J. ... do pass

Harman (Do Pass)
Chairman signature and recommendation

Committee Backup attached

**STATE OF ALASKA
1989 LEGISLATIVE SESSION**

BILL VERSION: SB 168
PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: DOT&PF - AMHS
Title: "...gambling enterprise in
municipalities & on state ferries... BRU: _____
Sponsor: Fahrenkamp Components: Southeast Vessels
Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES		1,500.0	1,500.0	1,500.0	1,530.0	1,560.0
TRAVEL		30.0	30.0	30.0	31.0	32.0
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		1,530.0	1,530.0	1,530.0	1,561.0	1,592.0

CAPITAL		270.0				
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REVENUE		*	*	*	*	*
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FUNDING: (Thousands of Dollars)

GENERAL FUND		1,800.0	1,530.0	1,530.0	1,561.0	1,592.0
FEDERAL FUNDS						
OTHER						
TOTAL		1,800.0	1,530.0	1,530.0	1,561.0	1,592.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

* Not determined at this time.

FY 93 and FY 94 each increased by approximately 2% over previous year to allow for inflation.

See attached comments.

Prepared by: John Halterman, Assistant Director Phone: 465-3950
Division: Alaska Marine Highway System Date: _____

Approved by Commissioner: Mark S. Hickey Date: 3/2/89
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 Note

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An act authorizing gambling in municipalities and on state ferries
Sponsor: Fahrenkamp
Requestor: Community & Regional Affairs

Agency Affected: Revenue
BRU: Income & Excise Audit
Components: Operating

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 90	FY 91	FY 92	FY 93	FY 94	FY 95
OPERATING						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Steven E. Kettel *Steven E. Kettel* Phone: (907) 465-2320
Division: Income and Excise Audit Date: February 17, 1989

Approved by Commissioner: Hugh Malone *Hugh Malone* Date: February 17, 1989
Agency: Department of Revenue

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Analysis

This legislation would impact the Department of Revenue by:

1. Section 2

A) which requires the Department to issue a license to and regulate gambling on vessels on the Alaska Marine Highway System, upon application by the Commissioner of DOTPF.

B) which provides the Department will regulate legalized gambling activities in communities which have allowed, by ordinance, for those activities to be conducted and who have established a commission responsible for licensing and regulating gambling in the community.

2. Section 6

A) which requires the Department to collect a 3 1/2% fee applied against gambling gross proceeds. The fee is collected from the municipality and deposited in the general fund.

Fiscal Impact

The Department has no basis on which to estimate revenues or expenses for this legislation. Legalized gambling of the type allowed in this bill is not permitted by present law. It cannot be assumed that any community will pass an ordinance to allow gambling.

Recommendation

1) The regulation of legalized gambling should not be placed within the Department of Revenue. It would detract management attention away from its highest priority - the administration of tax enforcement and investment programs.

2) There would be unnecessary duplication of effort and expense in having DOR license and regulate DOTPF ferries conducting gambling activities. Perhaps DOTPF could better carry out this function.

3) The Department of Revenue has no agency position on the merits of this proposal itself.



FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: "...gambling enterprise in municipalities & on state ferries..."
 Sponsor: Fahrenkamp
 Requestor: _____

Agency Affected: DOT&PF - AMHS
 BRU: _____
 Components: Southeast Vessels

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES		1,500.0	1,500.0	1,500.0	1,530.0	1,560.0
TRAVEL		30.0	30.0	30.0	31.0	32.0
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		1,530.0	1,530.0	1,530.0	1,561.0	1,592.0
CAPITAL		270.0				
REVENUE		*	*	*	*	*

FUNDING: (Thousands of Dollars)

GENERAL FUND		1,800.0	1,530.0	1,530.0	1,561.0	1,592.0
FEDERAL FUNDS						
OTHER						
TOTAL		1,800.0	1,530.0	1,530.0	1,561.0	1,592.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

* Not determined at this time.

FY 93 and FY 94 each increased by approximately 2% over previous year to allow for inflation.

See attached comments.

Prepared by: John Halterman, Assistant Director Phone: 465-2050
 Division: Alaska Marine Highway System Date: _____

Approved by Commissioner: Mark S. Hickey Date: 3/2/89
 Agency: Department of Transportation and Public Facilities

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: "An Act authorizing gambling ...
 in municipalities and on state ferries.."
 Sponsor: Senator Bettve Fahrenkamp
 Requestor: _____

Agency Affected: Community & Regional Affairs
 BRU: _____
 Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

Carol Carroll

Prepared by: Carol Carroll, Deputy Director Phone: 465-4750
 Division: Municipal & Regional Assistance Date: 3/2/89

Bill Carr

Approved by Commissioner: _____ Date: 3/2/89
 Agency: Community & Regional Affairs

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

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An act authorizing gambling in municipalities and on state ferries
Sponsor: Fahrenkamp
Requestor: Community & Regional Affairs

Agency Affected: Revenue
BRU: Income & Excise Audit
Components: Operating

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 90	FY 91	FY 92	FY 93	FY 94	FY 95
OPERATING						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Steven E. Kettel *Steven E. Kettel* Phone: (907) 465-2320
Division: Income and Excise Audit Date: February 17, 1989

Approved by Commissioner: Hugh Malone *Hugh Malone* Date: February 17, 1989
Agency: Department of Revenue

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

February 17, 1989

Prepared by: Steven E. Kettel

Analysis

This legislation would impact the Department of Revenue by:

1. Section 2

A) which requires the Department to issue a license to and regulate gambling on vessels on the Alaska Marine Highway System, upon application by the Commissioner of DOTPF.

B) which provides the Department will regulate legalized gambling activities in communities which have allowed, by ordinance, for those activities to be conducted and who have established a commission responsible for licensing and regulating gambling in the community.

2. Section 6

A) which requires the Department to collect a 3 1/2% fee applied against gambling gross proceeds. The fee is collected from the municipality and deposited in the general fund.

Fiscal Impact

The Department has no basis on which to estimate revenues or expenses for this legislation. Legalized gambling of the type allowed in this bill is not permitted by present law. It cannot be assumed that any community will pass an ordinance to allow gambling.

Recommendation

1) The regulation of legalized gambling should not be placed within the Department of Revenue. It would detract management attention away from its highest priority - the administration of tax enforcement and investment programs.

2) There would be unnecessary duplication of effort and expense in having DOR license and regulate DOTPF ferries conducting gambling activities. Perhaps DOTPF could better carry out this function.

3) The Department of Revenue has no agency position on the merits of this proposal itself.



Alaska State Legislature

SENATOR BETTYE FAHRENKAMP
CHAIRMAN, RESOURCES COMMITTEE
119 N. CUSHMAN STREET, SUITE 201
FAIRBANKS, ALASKA 99701
OFFICE (907) 452-4882
HOME (907) 456-2899


Senate

WHILE IN JUNEAU
PO. BOX V
JUNEAU, ALASKA 99811
CAPITOL, ROOM 125
OFFICE (907) 465-3834
HOME (907) 780-6027

MEMORANDUM

TO: Senator Al Adams, Chairman
Senate Community & Regional Affairs Committee

FROM: Senator Bettye Fahrenkamp

DATE: February 21, 1988

RE: SB 168 An Act authorizing gambling enterprises in municipalities and ferries; and providing for an effective date.

INTRODUCTION

Casino style gambling on a limited, historical basis would be allowed under SB 168. Municipalities with a history of gaming during the gold rush era, such as Fairbanks, Nome, and Skagway, would be eligible if their economies depend substantially on tourism. Local residents would have to vote to approve any gaming enterprises. Municipalities could require more than a simple majority vote. The bill also would allow gambling on state ferries.

Gaming enterprises can make a contribution to the prosperity of the state and municipalities in a time of declining and uncertain state revenue. Limited, historic gaming would enhance Alaska as a tourist destination and create jobs. We already allow gaming such as bingo, Monte Carlo nights, and pool classics.

Gaming under SB 168 is limited in the following ways:

- * A municipality must adopt an ordinance regulating gaming and have it ratified by a majority of voters within its boundary. The municipality may require more than a simple majority.

- * The municipality must have an economy substantially dependent on tourism.

- * Only cards, 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 gaming enterprise within a municipality must enhance the historic character of the municipality. No glitz and glitter, no chrome and glass.

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

Municipalities may decide to run gaming operations themselves, or license the operation, and must pay three and one half percent of gross revenues to the Department of Revenue. Participating municipalities must form a commission to regulate gaming.

Gaming on ferries would also be allowed and revenue would be deposited in the general fund.

Gaming enterprises can be conducted honestly, free from criminal and corrupt persons and practices. I don't believe limited, historical gaming will result in the high roller style gaming found in Las Vegas and Atlantic City, but rather the type found in Dawson City.

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



Alaska State Legislature

SENATE

Official Business

P.O. Box V
State Capitol
Juneau, Alaska 99811

M E M O R A N D U M

SUBJECT: Section-by-Section Summary of SB 168
TO: Senate Community & Regional Affairs Committee
FROM: Senator Betty ~~Johnson~~ Fahrenkamp
DATE: February 21, 1989

This memorandum is a section-by-section summary of SB 168, An Act authorizing gambling enterprises in municipalities and on state ferries; and providing for an effective date.

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 GAMBLING PERMITTED 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.

Gambling is allowed within municipalities, with the municipal government regulating gambling enterprises. No gambling is allowed outside of municipalities, except the Department of Revenue may license gambling enterprises on state ferries.

- Sectional analysis -

Sec. 05.16.020 LICENSED GAMBLING ON STATE FERRIES 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. 05.16.030 PROCEEDS FROM MUNICIPALITIES 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. 05.16.040 COOPERATION WITH MUNICIPALITIES requires the Department of Revenue to cooperate with municipalities in the regulation and administration of gambling within municipalities.

Sec. 05.16.050 REGULATIONS 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. 05.16.060 ANNUAL REPORT 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 DEFINITIONS defines "department", "gambling", and "gambling enterprise".

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 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 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 AUTHORIZATION authorizes a municipality to operate or license a person to operate a gambling enterprise within the municipality if the municipality adopts an ordinance regulating gambling enterprises, and the ordinance is ratified by a majority of the voters of the municipality or by more than a majority of the voters, and if the economy of the municipality depends substantially on tourism, the municipality has a history of gambling, and the gambling enterprise enhances the historic character of the municipality,

Sec. 29.35.610 REGULATION OF GAMBLING 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 PROCEEDS 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 REVENUE DERIVED FROM GAMBLING ENTERPRISES provides that a municipality may dedicate the revenue derived from a gambling enterprise to a public purpose.

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

Sec. 29.35.690 DEFINITION defines the terms "gambling" and "gambling enterprise".

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

Offered: 1/9/89
IN THE SENATE Labor & Commerce and
Finance
IN THE HOUSE Labor & Commerce and
Finance

EXECUTIVE ORDER NO. 74

Under the authority of art. III, sec. 23, of the Alaska Constitution, and in accordance with AS 24.08.210, I order the following:

* Section 1. FINDINGS. As governor, I find that it would be in the best interests of efficient administration to transfer the function of regulating games of chance and contests of skill from the Department of Revenue to the Department of Commerce and Economic Development.

* Sec. 2. AS 05.15.010 is amended to read:

Sec. 05.15.010. DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT [REVENUE] TO ADMINISTER CHAPTER. The Department of Commerce and Economic Development [REVENUE] shall administer this chapter.

* Sec. 3. AS 05.15.140(a) is amended to read:

(a) The commissioner may not issue or renew a permit except upon satisfactory proof that the applicant is a municipality or qualified organization, the activity may be permitted under this chapter, and the issuance of a permit is not detrimental to the best interests of the public. Upon request of the commissioner [OF REVENUE], the applicant shall prove conclusively each of these requirements before a permit may be issued or renewed.

* Sec. 4. AS 05.15.210(6) is amended to read:

(6) "commissioner" means the commissioner of commerce and economic development [REVENUE];

* Sec. 5. AS 05.15.210(8) is amended to read:

(8) "department" means the Department of Commerce and Economic Development [REVENUE];

* Sec. 6. 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

1 agreement or understanding that that person or someone else will
2 receive something of value in the event of a certain outcome;
3 "gambling" does not include

4 (A) bona fide business transactions valid under the law
5 of contracts for the purchase or sale at a future date of secu-
6 rities or commodities and agreements to compensate for loss
7 caused by the happening of chance, including contracts of indem-
8 nity or guaranty and life, health, or accident insurance; or

9 (B) playing an amusement device that

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

13 (ii) does not contain a method or device by which
14 the privilege of immediate replay may be cancelled or
15 revoked;

16 (C) an activity authorized by the commissioner of
17 commerce and economic development [REVENUE] under AS 05.15;

18 * Sec. 7. AS 44.33.020 is amended by adding a new paragraph to read:

19 (31) regulate games of chance and contests of skill under
20 AS 05.15.

21 * Sec. 8. TRANSITION. Regulations relating to games of chance and
22 contests of skill, adopted by the Department of Revenue under authority of
23 AS 05.15 before the effective date of this Order, remain in effect until
24 regulations relating to that function are adopted by the Department of
25 Commerce and Economic Development under AS 05.15 as amended by this Order,
26 and take effect. The Department of Commerce and Economic Development shall
27 administer those Department of Revenue regulations until its own take
28 effect.

29 * Sec. 9. This Order takes effect July 1, 1989.

Sec. 05.15.100. Issuance of permits and licenses. (a) The commissioner may issue a permit to a municipality or qualified organization. The permit gives the municipality or qualified organization the privilege of conducting bingo, raffles and lotteries, pull-tab games, ice classics, rain classics, goose classics, mercury classics, salmon classics, dog mushers' contests, fish derbies, and contests of skill.

(b) The commissioner also may issue a permit giving a municipality or qualified organization the privilege of conducting an activity involving the use of playing cards, dice, and numbers wheels. Each year, a municipality or qualified organization may apply for a permit under this subsection for either a single event lasting no more than three consecutive days, or for no more than three events lasting no more than one day each.

(c) The commissioner may issue an operator's license to a natural person to conduct an activity permitted under this chapter on behalf of a municipality or a qualified organization. The commissioner may also issue an operator's license to a municipality or a qualified organization to conduct an activity on behalf of another municipality or qualified organization. (§ 1 a ch 27 SLA 1960; am § 1 ch 66 SLA 1976; am § 2 ch 27 SLA 1982; am § 2 ch 59 SLA 1983; am § 1 ch 93 SLA 1986; am § 2 ch 94 SLA 1986; am §§ 11, 12 ch 99 SLA 1988)

Effect of amendments. — The first 1986 amendment inserted "goose classics, mercury classics," in subsection (a) and inserted a comma following "derbies."

The second 1986 amendment in subsection (a) inserted "salmon classics," in the second sentence.

The 1988 amendment, in subsection (a), deleted "of revenue" following "commissioner" in the first sentence and, in the second sentence, inserted "qualified" and "pull-tab games," and made a minor punctuation change; and added subsection (c).

Sec. 05.15.112. Member in charge. (a) Each municipality or qualified organization that receives a permit under this chapter shall designate a member in charge.

(b) The member in charge is responsible for preparation, maintenance, and transmittal of all records and reports required of the permittee. The member in charge shall be a member of the qualified organization or the board of directors of the qualified organization or an employee of the municipality.

(c) The member in charge shall monitor the operator's performance under and compliance with contracts for the conduct of activities on behalf of the authorizing permittee.

(d) The municipality or qualified organization shall designate alternate members in charge who are responsible for the duties of the member in charge in the absence of the member in charge. (§ 13 ch 99 SLA 1988)

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or until the end of a hearing or other proceeding begun during suspension. The authority of the commissioner to suspend a permit is not subject to the Administrative Procedure Act (AS 44.62). (§ 5 ch 27 SLA 1960)

Editor's notes. — This section is set out to incorporate editorial changes made by the Revisor of Statutes.

Sec. 05.15.180. Limitations on authorized activity. (a) Except as provided in AS 05.15.100(b), this chapter does not authorize the use of playing cards, dice, roulette wheels, coin-operated instruments or machines, or other objects or instruments used, designed, or intended primarily for gaming or gambling or any other method or implement not expressly authorized by the commissioner.

(b) With the exception of raffles, lotteries, bingo games, pull-tab games, rain classics, goose classics, mercury classics, salmon classics, and other activities authorized under AS 05.15.100(b), an activity may not be licensed under this chapter unless it existed in the state in substantially the same form and was conducted in substantially the same manner before January 1, 1959.

(c) The operation of activities licensed under AS 05.15.100(b) is limited as follows:

- (1) cash prizes may not be awarded;
- (2) only money substitutes such as chips or scrip may be used by a player in the activity;
- (3) the money substitutes may be exchanged only for prizes other than money and may not be otherwise exchanged or sold; and
- (4) additional limitations may be established by the commissioner under adopted regulations.

(d) The total value of door prizes offered or awarded under authority of a permit issued to a municipality or qualified organization under this chapter may not exceed \$20,000 a month or \$240,000 a year.

(e) The total value of all door prizes offered or awarded at a single facility or bingo hall or parlor by an operator on behalf of authorizing permittees or by a permittee in conjunction with other permittees may not exceed \$20,000 a month or \$240,000 a year.

(f) A person under the age of 19 years may not play a bingo game.

(g) A municipality or a qualified organization may award a maximum of \$1,000,000 in prizes each year in activities authorized under this chapter; however, if a municipality or a qualified organization contracts with an operator to conduct on its behalf activities authorized under this chapter, the municipality or qualified organization may award a maximum of \$500,000 in prizes each year. In this subsection "activities authorized under this chapter" means all activities subject to this chapter other than bingo. (§ 2 ch 27 SLA 1960; am § 3

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§ 05.15.181

AMUSEMENTS AND SPORTS

§ 05.15.184

ch 66 SLA 1976; am §§ 5, 6 ch 59 SLA 1983; am § 2 ch 93 SLA 1986;
am § 3 ch 94 SLA 1986; am §§ 20, 21 ch 99 SLA 1988)

Effect of amendments. — The first
1986 amendment inserted "goose classics,
mercury classics," in subsection (b).

The second 1986 amendment in subsec-
tion (b) inserted "salmon classics," and

"not" preceding "be licensed" and substi-
tuted "an" for "no."

The 1988 amendment inserted "bingo
games, pull-tab games" in subsection (b)
and added subsections (d)-(g).

Sec. 05.15.181. Pull-tab manufacturer's license. (a) A person
may not manufacture pull-tabs in the state unless the person has
received a pull-tab manufacturer's license issued by the department.

(b) The department may issue a pull-tab manufacturer's license to a
person who pays an annual fee of \$500.

(c) Each series of pull-tabs manufactured in the state shall be
sealed and have a serial number label issued by the National Associa-
tion of Fundraising Ticket Manufacturers or other serial number label
approved by the department.

(d) A pull-tab manufacturer may distribute pull-tabs only to a li-
censed pull-tab distributor unless the pull-tab manufacturer is also a
licensed pull-tab distributor.

(e) Each pull-tab manufacturer shall report to the department by
the last business day of the month on each series of pull-tabs distrib-
uted during the preceding month, including the serial number of each
series distributed and the name of the distributor to whom the series
was distributed. (§ 22 ch 99 SLA 1988)

Sec. 05.15.183. Pull-tab distributor's license. (a) A person may
not distribute pull-tab games unless the person has received a pull-tab
distributor's license issued by the department.

(b) The department may issue a pull-tab distributor's license to a
person who pays an annual fee of \$1,000.

(c) Pull-tabs may be distributed only from a location in the state. A
person may not distribute pull-tabs directly to another person in the
state from a location outside of this state.

(d) A pull-tab distributor shall report to the department by the last
business day of each month on each pull-tab series distributed in the
preceding month. The report must include the name of the permittee
to whom each series of pull-tabs is distributed and the serial number
of each series. (§ 22 ch 99 SLA 1988)

Sec. 05.15.184. Pull-tab tax. A pull-tab distributor shall collect a
tax of three percent of an amount equal to the gross receipts less
prizes awarded on each series of pull-tabs distributed. The pull-tab
distributor shall pay to the department the tax collected in the preced-
ing month at the time that the report under AS 05.15.183(d) is filed
with the department. (§ 22 ch 99 SLA 1988)

Department of Transportation & Public Facilities



POSITION PAPER

BILL NO: SB 168

APPROVED: *M-k S. HZ*

TITLE: Authorizing Gambling in
Certain Places

DATE: March 17, 1989

An Act authorizing gambling enterprises in municipalities and on state ferries; and providing for an effective date.

We have reviewed the legislation and offer the following comments:

05.16.010(c) - This section limits gambling equipment to "numbers wheels and card and dice games". We have done a preliminary analysis of placing gambling equipment on the mainline vessels. This was based upon the installation of electronic gambling devices, which would require a minimal number of additional crew members, if any, to maintain the machines. We suggest this section be amended to allow the placement of this type of equipment on board the vessels of the Marine Highway System.

05.16.020(b) - This section appears to limit the appropriation of gambling revenues only to defray the cost of operating gambling on board the vessels. We suggest language be added to make those revenues available to meet the overall operating expenses of the Marine Highway System.

With these modifications the department could rework the Fiscal Note to something which would probably show a positive cash flow. The department would then not oppose this Bill.

For further

*DOT/PF Fiscal Note and
Analysis*

at 465-3900

ANALYSIS OF SENATE BILL NO. 168

The analysis assumes three mainline vessels would each have one roulette wheel, one dice table and one card table. Each game would require two staff per week to run the game. The analysis also assumes these facilities would be located in the existing bar space, or other public area, eliminating the need to reduce staterooms. Does not include cost to modify vessel for the quarters for this additional crew. It further assumes that the pay scale for the dealers would be roughly equivalent to that of the bartender.

No attempt has been made to estimate the potential revenue from casino operations, although we will be working on developing such an estimate. Our primary thrust has been to review the possibility of placing electronic gaming devices on the vessels, it is from this source that the estimated capital cost is derived. It must be understood these are very preliminary estimates, which could change drastically once more information is known. In addition, the crewing levels and compensation are subject to collective bargaining agreements and are subject to change depending upon the outcome of negotiations.

2 crews each consisting of:

- 6 "dealers" @ \$48,500/year with benefits
- 2 "reliefs" @ \$48,500/year with benefits

8 crew x \$48,500/year x 2 crews/vessel x 2 vessel years of operation

* $8 \times \$48,500 \times 2 \times 2 = \$1,552,000$

* Vessel year

2 vessels operating 10 months/year = 20 months

1 vessel operating 4 months/year = 4 months

24 vessel months = 2
vessel years

Travel:

Travel costs depend upon crew change ports and the location of the specific crew members. Assuming approximately 756 "crew weeks" and that travel costs would only be incurred for 20% of those weeks the total cost would be approximately \$30,000.

Capital Cost:

Each ship at approximately \$90,000 x 3 = \$270,000