

HB

286

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred: April 6, 1995

FURTHER REFERRALS:

Date of Committee Action: 4/26/95

The FINANCE Committee considered:

HB 286

HOUSE BILL NO. 286

CRUISE SHIP GAMBLING & PROMOTIONS

"An Act providing an exemption from gambling and certain alcoholic beverage laws for gambling conducted by cruise ships for their ticketed passengers in the offshore water of the state; relating to promotions on board cruise ships; defining 'cruise ship'; providing for exemption procedures for certain cruise ships before they can conduct gambling in the offshore water of the state; providing an exemption from the coin-operated device tax for cruise ships exempted from the gambling laws; and providing for an effective date."

recommends it be replaced with the following committee substitute CS HB 286 (FIN) the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____ APPROVES PREVIOUS: (Dept/Date) _____
 fiscal note(s) _____ fiscal note(s) Revenue 4/1/95

zero fiscal note(s) _____ zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>Mark Hanley</i>	Hanley	X			
<i>Terry Martin</i>	Martin		X		
<i>Vil Kohring</i>	Kohring			X	
<i>Ben Grissendorf</i>	Grissendorf			X	
<i>Paul Brown</i>	BROWN	✓			
<i>Walter Kelly</i>	Kelly			✓	
<i>Therriault</i>	Therriault			X	
<i>Richard Foster</i>	FOSTER	X			

CO-CHAIR'S SIGNATURE *Mark Hanley* *Richard Foster*
 HANLEY FOSTER

FISCAL NOTE

No. 1
 Bill () sion: HB 286
 (H) Publish Date: 4/6/95

STATE OF ALASKA
 1995 LEGISLATIVE SESSION

Revision Date: _____ Dept. Affected: Revenue
 Title: Cruise Ship Gambling & Promotions BRU: Revenue Operations
 Component: Charitable Gaming Division
 Sponsor: Representative Williams
 Requester: Judiciary COMPONENT SERIAL NO. 1883

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()	500.0	600.0	600.0	600.0	600.0	600.0
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FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY95) cost: \$ 0.0

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Under current law, only certain non-profit organizations and municipalities can conduct gaming in Alaska. The type of gaming that is authorized is generally limited to pull-tabs, bingo, raffles, Monte Carlos and contests of skill. This bill would exempt cruise ships from the States gambling laws and allow for-profit organizations (cruise ships) to conduct casino gambling in the offshore water of the state.

One of the statues administered by the Department of Revenue, Charitable Gaming Division is Title 43, Chapter 35 "Coin-Operated Devices and Punchboards" [AS43.35]. Article one of the statute imposes a tax on all class I, class II, and class III amusement and gaming devices in operation within Alaska. Seventy-five percent of the taxes collected are shared with the local government where the devices are held out for play. This bill would provide an immediate exemption from the coin-operated device tax for cruise ships exempted from the gambling laws.

Prepared by: Dennis R. Poshard, Director Phone: 465-2279
 Division: Charitable Gaming Division Date: 04/05/95
 Approved by: _____ Date: 4/5/95
 Commissioner: Wilson L. Condon
 Agency: Department of Revenue

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Alaska State Legislature



Representative William K. Williams

Committees

House Resources
Co-Chairman

World Trade &
Federal Relations

Transportation

Rules

Oil & Gas

During Session,
State Capitol
Juneau, AK 99801-1182
(907) 465-3424
Fax (907) 465-1791

In Ketchikan:
352 Front Street
Ketchikan, AK 99901
(907) 247-4672
Fax (907) 225-8546

Sponsor Statement

House Bill 286

House Bill 286 gives the state authorization to offer an exemption from gambling statutes to cruise ships. This exemption would allow cruise ships to operate their casinos in Alaska waters.

Casino gambling aboard cruise ships is an amenity needed to keep Alaska on a par with other cruise destinations. While gambling is not the main attraction of cruises to other parts of the world, it is an accepted and expected part of the experience.

The communities of Alaska will not be negatively affected by this legislation. Casino operations will be prohibited within three miles of a vessel's port of call. While in port the casino will remain closed, therefore removing the opportunity for non-ticketed people to participate in the activities.

In these times of strict budget discipline it is important to find new sources of income. Ships that take advantage of this exemption will pay the State of Alaska fees ranging from \$10,000 to \$40,000 per year. Initial projections suggest this could add an additional \$500,000 per year to state coffers.

This bill supports the tourism industry and raises state revenues. I ask you to support House Bill 286.

A BRIEF SECTIONAL ANALYSIS

HOUSE BILL 286

- Section 1: Allows agents or employees to serve alcohol to patrons.
- Section 2: A) Lists guidelines cruise ships must comply with in order to offer gambling on board.
B) Specifies exemption fees
C) Describes reasons an exemption can be revoked
D) Defines "cruise ship"
E) Defines "cruise waters of the state"
- Section 3: Includes exemption into statute covering unsworn falsification
- Section 4: Exempts cruise ships from state gambling laws
- Section 5: Exempts cruise ships from state tax on coin operated devices
- Section 6: Allows cruise ships to sell excursions on the ship and not disclose they are receiving compensation
- Section 7: Enactment date

Alaska Department of Revenue
Charitable Gaming Division
Position Paper
SB60 and HB286

The Department of Revenue would like to make clear the relationship between the Cruise Ship Gaming bills presently before the legislature (SB 60 and HB 286) and Indian gaming in Alaska. Currently, a compact to govern the conduct of Class III gaming on Indian trust lands at Klawock is under negotiation between the Klawock Cooperative Association (KCA) and the State of Alaska.

Slot machines and video games are typically the most lucrative casino games for the house. Assuming that the intent of the sponsors of the bills was to permit cruise ship operators to use slots and video games, as presently drafted the bills do *not* have this effect.

The bills would exempt cruise ships from criminal law prohibitions (AS 11.66.200 - 280).¹ The bills would also exempt cruise ships from AS 05.15, which, through an interplay of sections AS 05.15.100(b) and AS 05.15.690(28), makes slot machines and video games of chance prohibited devices.² However, this is not the only place within Alaska law that these devices are made illegal.

AS 43.35.090(3), a part of the taxing statutes, defines a class 3 "coin-operated device" as a:

slot machine or other apparatus that operates by means of insertion of a coin, token, or similar object and that, by strict dependence upon the element of chance, may deliver or may entitle the person playing or operating the machine to receive cash, premiums, merchandise, or tokens; . . .

15 AAC 35.040(c) specifically makes class 3 coin-operated devices illegal.

The relationship of the Cruise Ship Gaming bills to Indian gaming comes under federal law, specifically the Indian Gaming Regulatory Act (IGRA). 25 U.S.C. §§ 2701 *et seq.* Under IGRA, "Indian tribes have the exclusive right to regulate gaming activity

1. The criminal statutes make no specific mention of slot machines but define as "unlawful" anything not specifically authorized by law. Because the permission to allow certain items to be used in Monte Carlo Night operations only goes to cards, dice, and numbers wheels -- which excludes slot machines and other coin-operated devices such as video games or chance -- these are not specifically authorized and are, therefore, illegal under criminal law.

2. The bills refer to AS 05.15.210. However, what was obviously intended was a reference to the statute's renumbered reference, AS 05.15.690.

on Indian lands if the gaming activity is not specifically prohibited by Federal law and is conducted within a State which does not, as a matter of criminal law and public policy, prohibit such gaming activity." IGRA further states that class III gaming activities shall be lawful on Indian lands only if such activities are ... (B) located in a State that permits such gaming for any purpose by any person, organization, or entity."

Thus, if the Cruise Ship Gaming bills are amended³ to clear up the conflict in applicable laws, and slot machines and video games of chance are made legal for cruise ships to operate, federal law requires that Indian gaming operations also be permitted to make use of slots and video games.

The Charitable Gaming Division has a neutral position on the bill.

3. The Department of Law has alerted Rep. Williams' office of the need to amend the legislation if the intent is to permit slot machines.

FISCAL NOTE

No. 1
 Bill 1 sion: HB 286
 (H) Publish Date: 4/6/95

**STATE OF ALASKA
 1995 LEGISLATIVE SESSION**

Revision Date: _____ Dept. Affected: Revenue
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CAPITAL EXPENDITURES						
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One of the statutes administered by the Department of Revenue, Charitable Gaming Division is Title 43, Chapter 35 "Coin-Operated Devices and Punchboards" [AS43.35]. Article one of the statute imposes a tax on all class I, class II, and class III amusement and gaming devices in operation within Alaska. Seventy-five percent of the taxes collected are shared with the local government where the devices are held out for play. This bill would provide an immediate exemption from the coin-operated device tax for cruise ships exempted from the gambling laws.

Prepared by: Dennis R. Poshard, Director Phone: 465-2279
 Division: Charitable Gaming Division Date: 04/05/95
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 Commissioner: Wilson L. Condon
 Agency: Department of Revenue

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4/20/95

9-LS0991A.1 ✓

Luckhaupt

4/17/95

A M E N D M E N T

adopted 7-1

OFFERED IN THE HOUSE

BY REPRESENTATIVE WILLIAMS

TO: HB 286

1 Page 1, following line 11:

2 Insert a new bill section to read:

3 "* Sec. 2. AS 05.15.180(a) is amended to read:

4 (a) Except as provided in AS 05.15.100(b) and 05.15.250, this chapter does
5 not authorize the use of playing cards, dice, roulette wheels, coin-operated instruments
6 or machines, or other objects or instruments used, designed, or intended primarily for
7 gaming or gambling or any other method or implement not expressly authorized by
8 the department."

9 Renumber the following bill sections accordingly.

10 Page 2, line 1:

11 Delete "A"

12 Insert "Notwithstanding AS 05.15.180(a), a"

facsimile

TRANSMITTAL

to: Rep. Mark Hanley
fax #: 465-2278
re: HB 286 Sec 6 AS45.50.474 As Amended
date: April 7, 1995
pages: ONE, including cover sheet.

We are writing specifically about Sec 6 AS45.50.474 of HB 286

We wish to protest the recent amendment to that bill which states: "This prohibition does not apply to on-shore excursions that are sold on board a cruise ship."

Adding that sentence to this bill EFFECTIVELY NEGATES the entire section. I have seen articles in travel agent magazines that are sent to all travel agents (an employee of Holland America actually wrote the article I read) telling them that when they schedule their clients for "shore excursions" which aren't sold on the ship, they may be getting vendors who are not reliable and not insured.

We are paying \$150,000 per year liability insurance and each seat is insured for up to \$1 Million, and yet the intimation is that anyone who doesn't hire the ships to sell for them is unreliable.

We are requesting that you DELETE THIS SENTENCE from the bill before voting on it. It HURTS the small vendors. When the cruise ships are conducting promotions on board their ship, they should have to disclose that they are contracted with the vendors they are selling for. These ships charge a premium to the vendors they sell for. There is nothing wrong with that, but the passengers on the ship should be aware they are selling on ship because they have a business deal - not out of the goodness of their heart.

I will be happy to answer any questions you may have. Thanks.

From the desk of...
Bob & Jim Wilson
COASTAL HELICOPTERS, INC.
2755 KA-SEE-AN DRIVE
JUNEAU AK 99801

907-789-5600
Fax: 907-789-7076

PRINCESS TOURS 

519
West Fourth
Avenue
Anchorage,
Alaska
99501

Telephone:
907-276-7711
Telefax:
907-265-9222

April 5, 1995

The Honorable Brian Porter
Chair, House
Judiciary Committee
Capitol Building
Juneau, Alaska 99801

Dear Representative Porter

This letter is offered in support of House Bill 286. This legislation would allow gambling aboard cruise ships within Alaskan waters for ticketed cruise passengers. Cruise ships would be required to pay a fee to the State for an exemption prior to conducting gambling under this legislation.

The definition of cruise ships insures against "gambling cruises to nowhere". The legislation prohibits gambling aboard cruise ships within three miles of ports of call. We estimate that revenues to the State could exceed \$500,000 in 1995 and reach \$575,000 in 1996. Ships offering Alaskan cruises in the next two years would pay either \$20,000 or \$30,000 each per year for the exemptions. Larger ships are scheduled to sail in Alaska in 1996, and several would pay \$40,000 each year.

A provision was added last session to require disclosure of on-board promotion of gift shops in Alaskan ports of call during "port lectures" conducted by cruise directors. Princess does not approve of such promotions in Alaska, and we believe that other long-term cruise line operators agree with us. We have added language to clarify that on-board sale of shore excursion activities would not require the same disclosure as gift shop promotions.

Cruise ships have offered gambling as an ancillary entertainment activity for their passengers in Alaska for over twenty years. Alaska competes in the international marketplace. On-board gambling has become generally accepted as one of the variety of activities offered by cruise lines in all the major cruising destinations.

Over the past twenty years Alaska has become one of the premier cruising destinations in the world, currently ranking number two. During this period of growth and development, there is no evidence that these onboard activities have ever had any impact whatsoever on Alaskan communities or Alaskan residents.

The Honorable Brian Porter

- 2 -

April 5, 1995

This absence of impact is a direct result of the way in which cruise ships operate onboard casinos. For over twenty years cruise ships coming to Alaska have operated casinos only while underway. Casinos are closed while ships are in port.

The public policy concerns related to gambling are not compromised by the passage of HB 286. There is no impact to Alaskan families or communities or to the "peace and tranquillity" of any area of Alaska as a result of these activities aboard cruise ships.

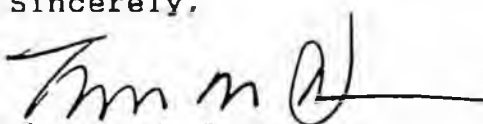
Research clearly shows that Alaskans appreciate the importance of tourism to the economy of the state. It also shows that Alaskans don't favor prohibiting the traditional operation of casinos aboard cruise ships because these operations are not causing any problems and never have.

Although gambling has never been a primary reason to choose an Alaskan cruise, both passengers and travel agents have come to expect gambling as a part of the package of activities which they would find in a world class cruise vacation. Eliminating gambling within Alaskan waters would mean that an Alaskan cruise vacation would offer something less than available to passengers on the same ships when they are sailing in other locations.

We believe that there is no public policy reason to prohibit this activity. There is public support to allow it to continue. And with the provision of an exemption fee, there is a simple method for the State to secure revenues from cruise lines who wish to continue to offer this entertainment option to their passengers. There is very little administrative expense or burden placed on the State for the collection of these revenues.

Thank you for your consideration.

Sincerely,



Thomas M. Dow
Vice President

**SOUTHEAST STEVEDORING CORPORATION**

CONTRACTING STEVEDORES

P. O. BOX 8080

KETCHIKAN, ALASKA 99901

Cable Address
"Soustave"Telephone
907-225-8157Fax
907-225-8254Telecc
413618

April 04, 1995

Representative W. K. Williams
House of Representatives
State of Alaska

Dear Representative ^{Bill} Williams:

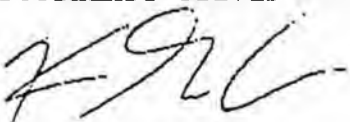
We would like to express our support for SB 60 and its companion bill HB 286. Thanks for stepping forward to take the lead as a sponsor of the House Bill.

As you know, the Cruise Ship industry is becoming more and more important to the local economies in the State of Alaska. We need to work with the Cruise Industry in partnerships wherever possible. This particular partnerships is positive for the State in that new revenues will be added to the General Fund. It is positive for the cruise ships since they will be able to reinstate gambling as one of the many activities offered while cruising between ports in Alaska.

Prior to 1993, gambling was a part of the entertainment available for tourists transiting between ports onboard cruise ships. After it was discovered that the State of Alaska had jurisdiction, many of the cruise lines asked if they could purchase an exemption to keep offering gambling as one of the many activities available to passengers.

This bill will not hurt any Alaskan community. In fact since it has potential of generating hundreds of thousands of dollars annually, it will help all of the State in this time of revenue shortfalls.

Sincerely,
SOUTHEAST STEVEDORING CORPORATION



Kris Geldaker
Cruise Operations Manager

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE
KETCHIKAN VISITORS BUREAU**

WHEREAS, the development of the tourism industry has contributed substantially to the economic diversification of the Ketchikan area; and

WHEREAS, the continuing struggles faced by resource based industry in Southern Southeast Alaska further emphasizes the need to develop tourism and other local industry; and

WHEREAS, the State's efforts to trim its spending can best be accomplished in partnership with industry; and

WHEREAS, the provisions in Senate Bill No. 60 and its companion bill HB No. 286 provide for a fee to be levied in exchange for an exemption for certain gambling activities within Alaskan Waters, generating additional State revenue; and

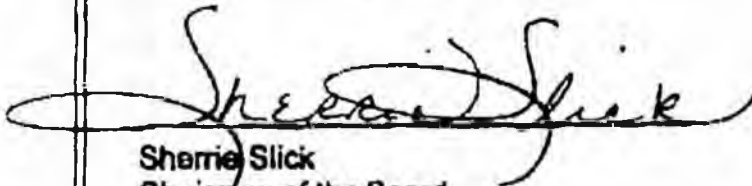
WHEREAS, the bill's provisions requiring full disclosure when paid promotions are conducted for cruise lines protects local businesses' right to fair competition in the marketplace.

BE IT THEREFORE RESOLVED, that the Ketchikan Visitors Board of Directors and Advisors support SB No. 60:

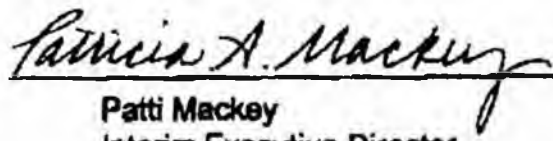
"An Act providing an exemption from gambling and certain alcoholic beverage laws for gambling conducted by cruise ships for their ticketed passengers in the offshore water of the state; relating to promotions on board cruise ships; defining cruise ship; providing for exemption procedures for certain cruise ships before they can conduct gambling in the offshore water of the state; providing an exemption from the coin-operated device tax for cruise ships exempted from the gambling laws; and provide for an effective date."

RESOLVED, on February 28, 1995, at the Ketchikan Visitors Bureau Board of Directors meeting.

DATED this 28 day of February, 1995.



Sherrie Slick
Chairman of the Board
Ketchikan Visitors Bureau



Patti Mackey
Interim Executive Director

TO: Rep. Mark Hanley

Fax #: 465-2418

re: HB 286 Sec 6 AS45.50.474

From: Michelle W. Creelman
Juneau's Best Tours

Date: April 11, 1995

I wish to protest the recent amendment to above bill which states: "The prohibition does not apply to on-shore excursions that are sold on board a cruise ship."

Adding that sentence to this bill negates the entire section. I have seen articles in travel agent trade magazines telling them that when they schedule their clients for "shore excursions" which aren't sold on the ships they may be getting vendors who are not reliable and not insured.

I hold one of the CSC issued broker permits and represent several reputable, insured LOCAL vendors, most of whom are not sold on the cruise ships. I also carry liability insurance and am bonded. I resent the implication that anyone who doesn't hire the ships to sell for them is unreliable. One of the conditions for having your tour sold on most cruise ships is volume. Since many local vendors don't push hundreds of people a day through their business the cruise ships will not represent them. Going through a broker on the docks is their ONLY avenue to reach these people. They pay me for this service, tours that are sold on the ships pay for the same service I provide on shore. I have no problem admitting vendors pay me -- why do the OUT OF STATE cruise lines?

I am requesting that you DELETE THIS SENTENCE from the bill before voting on it. It HURTS the small LOCAL vendors. When the cruise ships are conducting promotions on board their ship, they should have to disclose that they have contracted with the vendors they are selling for. The passengers should be aware they are buying tours through a business deal, not out of the goodness of the hearts of the cruise line on which they are travelling.