

HB

286

FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO. HB 286

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)

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: 4/15/95
 Commissioner: Wilson L. Condon
 Agency: Department of Revenue

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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

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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.

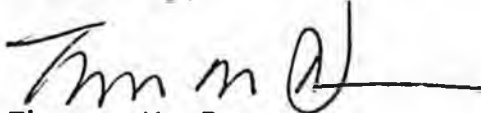
Research clearly shows that Alaskans appreciate the importance of tourism to the economy of the state. It also shows that Alaskans don't favor prohibiting the traditional operation of casinos aboard cruiseships because these operations are not causing any problems and never have.

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

Alaska State Legislature



Representative William K. Williams

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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 "offshore 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

House Bill 286 (cruise ship gambling)

Related Statutes

AS 01.10.079 - Time statutes become law and take effect

AS 04.16.175 - Furnishing alcoholic beverages in aid of gambling enterprise

AS 05.15 - Games of Chance and Contests of Skill

AS 05.15.195 (05.15.610) - Order prohibiting action in violation of this chapter

AS 05.15.200 (05.15.680) - Penalties

AS 05.15.210 (05.15.690) - Chapter definitions

AS 05.15.250 - Exemption of Cruise Ships

AS 11.66 - Offenses Against Public Health and Decency

AS 11.66.200 - 11.66.280 - Gambling offenses

AS 11.66.275 - Cruise ship exemption

AS 43.35 - Coin operated devices and punchboards

AS 43.35.010 - Amount of tax

AS 45.50 - Competitive Practices and Regulation of Competition

AS 45.50.471 - Unlawful Acts and Practices

AS 45.50.474 - Required disclosures in promotions on board cruise ships