

**ALASKA STATE LEGISLATURE**  
**HOUSE LABOR AND COMMERCE STANDING COMMITTEE**

January 30, 2017

3:31 p.m.

**MEMBERS PRESENT**

Representative Sam Kito, Chair  
Representative Adam Wool, Vice Chair  
Representative Andy Josephson  
Representative Louise Stutes  
Representative Chris Birch  
Representative Gary Knopp  
Representative Colleen Sullivan-Leonard

**MEMBERS ABSENT**

Representative Bryce Edgmon (alternate)

**COMMITTEE CALENDAR**

HOUSE BILL NO. 18  
"An Act relating to race classics."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 18  
SHORT TITLE: RACE CLASSICS  
SPONSOR(S): REPRESENTATIVE(S) ORTIZ

01/18/17	(H)	PROFILE RELEASED 1/9/17
01/18/17	(H)	READ THE FIRST TIME - REFERRALS
01/18/17	(H)	L&C, FIN
01/30/17	(H)	L&C AT 3:30 PM BARNES 124

**WITNESS REGISTER**

REPRESENTATIVE DAN ORTIZ  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** As sponsor, presented HB 18.

CHELSEA GOUCHER, Vice President  
Greater Ketchikan Chamber of Commerce  
Ketchikan, Alaska

**POSITION STATEMENT:** Testified in support of HB 18.

Bill Swift, Executive Director  
Greater Ketchikan Chamber of Commerce  
Ketchikan, Alaska

**POSITION STATEMENT:** Testified in support of HB 18.

Jason Custer, Board Member  
Greater Ketchikan Chamber of Commerce  
Ketchikan, Alaska

**POSITION STATEMENT:** Testified in support of HB 18.

KATRINA MITCHELL, Gaming Group Manager  
Tax Division  
Department of Revenue (DOR)  
Juneau, Alaska

**POSITION STATEMENT:** Answered questions regarding HB 18.

JERRY BURNETT, Deputy Commissioner  
Department of Revenue (DOR)  
Juneau, Alaska

**POSITION STATEMENT:** Answered questions regarding HB 18.

#### **ACTION NARRATIVE**

[3:31:15 PM](#)

**CHAIR SAM KITO** called the House Labor and Commerce Standing Committee meeting to order at 3:31 p.m. Representatives Wool, Josephson, Stutes, Birch, Knopp, Sullivan-Leonard and Kito were present at the call to order.

#### **HB 18-RACE CLASSICS**

[3:31:59 PM](#)

CHAIR KITO announced that the only order of business would be HOUSE BILL NO. 18, "An Act relating to race classics."

[3:32:33 PM](#)

REPRESENTATIVE DAN ORTIZ, Alaska State Legislature, stated that in 2014, Thomas Basin Harbor became the finish line for an unpowered boat race that started in Port Townsend, Washington, and journeyed 750 miles to Ketchikan. The vessels in the race included kayaks and pedal boats. The first team to arrive was awarded a \$10,000 prize, and the second place team has,

throughout the years, won steak knives, ski goggles, or corn cob holders. The event is called The Race to Alaska. He noted that HB 18 would allow people to wager on the first place finisher and their time of arrival. The bill is in similar spirit of the Nenana Ice Classic. He expressed that the bill was brought forward at the request of the Greater Ketchikan Chamber of Commerce.

[3:35:30 PM](#)

CHELSEA GOUCHER, Vice President, Greater Ketchikan Chamber of Commerce, stated her support of HB 18. The proposed bill would allow the Ketchikan Chamber of Commerce to raise money by administering a race classic with a gaming permit. This is similar to the Seward Chamber operations with the Mount Marathon race classic. She stated her support of the letter written by Bill Swift [Included in the committee packet]. She emphasized the importance of the provisions of HB 18 to Ketchikan. She listed the chamber's recent projects including: workforce development initiatives, economic and community development programs, lighting the town Christmas tree, the Fourth of July parade, employee wellness trainings, informational programs, networking events, and assistance to developing businesses. These activities are self-funded by the chamber, which depends primarily on member dues and fundraisers. She explained that the chamber is diverse and non-partisan, and HB 18 would help sustain the chamber's efforts to serve the community despite reductions in state and local funding. The race classic would likely bring in outside money from racers and families coming in from Washington.

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REPRESENTATIVE BIRCH opined that the bill should be made more general. He asked who would prevent the classic from being held without the bill being passed.

MS. GOUCHER stated that it would be a violation of the chamber's gaming permit from the tax division.

REPRESENTATIVE BIRCH asked whether this falls under the gaming commission in revenue. He asked if it is possible to make the bill more general so the next person interested in a race classic doesn't have to request specific legislation.

MS. GOUCHER responded that it would be a good idea, but the Department of Revenue (DOR) would have to agree. She stated

that the chamber's general gaming permit does not provide for this type of classic, but does allow raffles, et cetera.

[3:40:01 PM](#)

REPRESENTATIVE STUTES asked how long the race has been going on.

[3:40:12 PM](#)

REPRESENTATIVE ORTIZ stated the race began in 2014.

[3:40:44 PM](#)

Bill Swift, Executive Director, Greater Ketchikan Chamber of Commerce, testified to express the chamber's unanimous support of HB 18. He stated that the chamber is a non-profit, member-driven community organization, dedicated to supporting businesses in the community. He spoke about the history of the race. The chamber seeks to raise funds for local community projects and increase excitement around the race with a community guessing game fundraiser. He mentioned the proceeds of the fundraiser would be used for the chamber's special activities, other community projects, economic development, and a scholarship fund. He stated that the chamber is a 501(c)(6) and is made up of more than 250 members - mostly Ketchikan businesses.

MR. SWIFT stated that the chamber conducted research and determined that specific legislative authority is necessary to conduct the charitable community fundraising around the Race to Alaska by including it in the state's existing definition of race classics. He noted that the Alaskan tradition of classics includes dog musher classics, rain classics, fish derbies, moose derbies, and a canned salmon classic. Many non-profit entities throughout Alaska have been given permission by the legislature to conduct classics fundraisers. He reported that there is a strong precedent for the chamber of commerce organizations to host events of this type; similar events are hosted by chambers in Juneau, Fairbanks, Kenai, Seward, Petersburg, Delta, and Big Lake. He recognized that the legislature has lots of decisions to make, and he thanked the committee for hearing the chamber's request for a small and necessary change.

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REPRESENTATIVE SULLIVAN-LEONARD asked how financially successful the race has been since the inception in 2014.

MR. SWIFT stated there has not been calculated economic activity around this event in particular. It's hard to determine the race's impact on the economy in Ketchikan with cruise ships in town during that time. He noted that race participants and other visitors come in to follow the race during that time.

REPRESENTATIVE SULLIVAN-LEONARD asked what the financial benefit was for the chamber.

MR. SWIFT stated that to this point there's been no connection or benefit to the chamber.

[3:46:00 PM](#)

REPRESENTATIVE BIRCH asked if Mr. Swift would have an objection to eliminating the statement "is limited to" and permit race classics to continue unabated through the state.

MR. SWIFT stated that he would have no objection to a more general procedure.

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REPRESENTATIVE WOOL asked if there is a formula for a fund dispersement between chamber funds and participant awards.

MR. SWIFT stated that the chamber's formula with the current gaming license has been a 50/50 raffle, so that's likely the formula that would be applied.

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Jason Custer, Board Member, Greater Ketchikan Chamber of Commerce, testified in full support of HB 18. He stated that he agrees with Mr. Swift and Ms. Goucher's testimonies. He remarked:

The [Greater] Ketchikan Chamber of Commerce is perhaps the largest and the most diverse non-profit organization in Ketchikan, with over 200 members. Our members include individuals, businesses, non-profit organizations, and local and tribal governments. We're a non-partisan organization, which works to promote a healthy and vibrant economy and a livable, sustainable community that families and businesses are proud to call home. The benefits of HB 18 to our

organization and community would include providing a new source of locally generated revenue for community projects, which otherwise would not be present or possible. This is ever more important and meaningful to us given the fact that state, local, and even federal grants and discretionary funds are in short supply.

He stated that HB 18 would support community and economic development activities and programs, would help get Alaskans excited about contributing to community projects, and would promote a culture of community giving and self-sufficiency. The initiative would not cost anything to the state but would create a new source of funding for community initiatives. He stated that the chamber is seeking the same ability given to other chambers of commerce in other Alaskan communities to administer similar programs. He acknowledged that the bill seems like a modest request, but it is important and meaningful to the community with state and local grant funding decreasing. He urged the committee's support of HB 18, and stated that every new source of revenue for community projects is important and welcome.

[3:51:22 PM](#)

REPRESENTATIVE BIRCH asked if it is possible to modify the legislation and "let race classics run amok."

KATRINA MITCHELL, Gaming Group Manager, Tax Division, Department of Revenue (DOR), answered that there are several types of classics defined by the [Alaska Gaming Reform Act], some are specific to organizations. Currently animal classics are not limited. However, the Cabbage Classic at the Cabbage Weigh-Off in Palmer is limited to be operated and administered by the Palmer Rotary Club. She stated that she is not sure why some classics are limited to certain organizations and some are not. She speculated that if you open up a classic that was limited to everyone, it might take away from the organization that originally hosted the event.

REPRESENTATIVE BIRCH offered his understanding that everyone must have a gaming permit in order to make any revenue from such an event. He asked if Ms. Mitchell sees a downside to eliminating the language limiting the statute to the Mount Marathon Classic and the Race to Alaska Classic.

MS. MITCHELL said that as far as administering the program goes, she sees no downside to opening it up as long as the definition is adequate.

REPRESENTATIVE BIRCH stated that this is good news for classic fans around the state.

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CHAIR KITO suggested doing research before the next meeting to determine if Representative Birch's idea is workable and then an amendment could be considered.

[3:55:21 PM](#)

REPRESENTATIVE JOSEPHSON asked if the statute requires the money from any classic to go to a charitable purpose.

MS. MITCHELL responded that in order to conduct a classic, an organization must hold a gaming permit and is required to donate "net proceeds" to a mission or cause within one year of receipt.

REPRESENTATIVE JOSEPHSON voiced that the purchase of the Nenana Ice Classic tickets around the state resembles gambling. He asked whether the proposed bill might create a habit-forming mispending of money in a more isolated community.

MS. MITCHELL responded that anyone with a gaming permit is required to report - at least annually - the proceeds and itemized donations and donation recipients. The department can review that and can verify if it is correct.

REPRESENTATIVE JOSEPHSON restated his concern with creating habits for wagering money in a small community, and asked whether the legislature should be concerned if the statute were opened up to any opportunity in any community.

MS. MITCHELL stated that it would be impermissible for anyone or any organization to conduct a race classic without obtaining a charitable gaming permit through the state.

REPRESENTATIVE JOSEPHSON asked how difficult the task is.

MS. MITCHELL stated that the permits are only issued to municipalities or non-profit organizations that have been in existence for 3 years.

[3:58:58 PM](#)

CHAIR KITO offered his understanding that Representative Josephson's concern is about whether charitable gaming is a good activity. The legislature establishes the policy, and it's up to the department to administer the policy.

[3:59:28 PM](#)

REPRESENTATIVE KNOPP asked if there are many annual events beyond the listed classics and if it would be reasonable to expand the bill.

MS. MITCHELL stated that she doesn't see a downside from the perspective of the administration, but mentioned that there are many kinds of classics limited to certain organizations. For example the Canned Salmon Classic can only be administered by the Petersburg Chamber of Commerce and the King Salmon Classic can only be run by [Douglas Island Pink and Chum, Inc.] (DIPAC). Those organizations have the market on that type of classic. She stated that the bill would not impact the gaming section in managing the program, but she is unsure if it would impact the organizations with the special privilege.

REPRESENTATIVE KNOPP asked about potential for abuse. He further asked if the Greater Ketchikan Chamber of Commerce would have to go back to the legislature if it wanted to host another event. He stated that he also has concerns about routine gambling. He noted his hope is to open the door to less regulation restriction, while avoiding abuse.

MS. MITCHELL stated that she is not sure striking the language limiting [classics] to specific organizations would result in abuse. She noted that it would allow an organization in every town to have a guessing game with participants, such as the Race to Alaska.

[4:04:30 PM](#)

REPRESENTATIVE SULLIVAN-LEONARD asked if Mr. Burnett could give some history on classics across the state and how and why the gaming rules became more stringent.

JERRY BURNETT, Deputy Commissioner, Department of Revenue (DOR), answered that gambling is prohibited in Alaska. The statute lists what is allowed for charitable organizations with a permit. He mentioned that it used to be allowable to have

"Monte Carlo" nights, but the legislature was concerned about having casinos in Alaska "in Indian country." He offered his understanding that any type of gambling allowed in Alaska for any purpose would be allowable under the Indian gaming laws. He stated that the legislature did not want to have any type of casinos in Alaska, so the rules for a "Monte Carlo" night were adjusted. He noted that cruise ships can gamble in state waters and Alaska taxes the proceeds, but the statute specifies that it is taxing an unlawful activity.

[4:08:11 PM](#)

REPRESENTATIVE SULLIVAN-LEONARD noted some classics from her districts. She stated her opinion that these classics are not habit forming, rather the funds from these gaming pieces are beneficial for chambers of commerce and other groups.

[4:09:07 PM](#)

REPRESENTATIVE WOOL asked if there is a limit on how many gaming permits are issued.

MS. MITCHELL stated that any non-profit organization that meets the requirements can apply and may be granted a permit. There is not a cap on the number of permits issued.

REPRESENTATIVE WOOL asked if any governing body, other than the legislature, could handle a request for more classics in the future, or if there is a process within the department that would be a gateway. He noted that the idea of many chambers jumping in on a race would hurt the initial hosting organization and the race would lose vitality.

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MR. BURNETT stated that there has been legislation to set up a gaming commission. He added that in order for the department to manage requests for classics, either discretion could be given to the commissioner of revenue or it could be done through a regulation process, which would be difficult and sometimes slower than the legislative process. He voiced that it is not a responsibility he would like to have or want someone in the department to have, because they also regulate the activities.

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REPRESENTATIVE BIRCH questioned if getting rid of the limitations has a downside.

MR. BURNETT stated that it doesn't matter to the department so long as there is a clear definition.

REPRESENTATIVE BIRCH stated that he supports the intent of the bill and wants to make the process easier in the future. He asked if the animal classic is limited to gerbils or hamsters.

[4:13:01 PM](#)

MS. MITCHELL stated a catch-all phrase - "other rodent" - is in the statute.

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REPRESENTATIVE ORTIZ stated that in changing the bill as Representative Birch suggested, the potential downside would not fall in the department's realm, but would dilute the revenues and potential benefits to the groups that have permits.

MS. MITCHELL stated that Representative Ortiz's assessment is reasonable.

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REPRESENTATIVE WOOL commented that there are exceptions to the gaming statute in Alaska, including rodents, cabbage, ice melting and pull tabs, so a gaming commission might not be a bad idea.

[4:15:10 PM](#)

MR. BURNETT stated that he does not have thoughts on that comment. He stated that the way the legislature has done this historically has been workable for the State of Alaska.

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CHAIR KITO opened public testimony on HB 18.

CHAIR KITO announced that HB 18 was held over.

[4:17:25 PM](#)

**ADJOURNMENT**

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 4:17 p.m.