

**ALASKA STATE LEGISLATURE
HOUSE TRANSPORTATION STANDING COMMITTEE**

January 23, 2024

1:03 p.m.

MEMBERS PRESENT

Representative Kevin McCabe, Chair
Representative Sarah Vance, Vice Chair
Representative Tom McKay
Representative Craig Johnson
Representative Jesse Sumner
Representative Louise Stutes
Representative Genevieve Mina

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 197

"An Act relating to gaming activities on Alaska marine highway system vessels; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 197

SHORT TITLE: ELECTRONIC GAMING ON AMHS FERRIES

SPONSOR(S): REPRESENTATIVE(S) SUMNER BY REQUEST

05/08/23	(H)	READ THE FIRST TIME - REFERRALS
05/08/23	(H)	TRA, L&C, JUD, STA, FIN
01/23/24	(H)	TRA AT 1:00 PM BARNES 124

WITNESS REGISTER

JOE LURTSEMA, Staff
Representative Jesse Sumner
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented HB 197 on behalf of Representative Sumner, prime sponsor.

CODY RICE, Majority Staff

Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 197.

CRAIG TORNGA, Director
Alaska Marine Highway System
Ketchikan, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 197.

ACTION NARRATIVE

[1:03:04 PM](#)

CHAIR KEVIN MCCABE called the House Transportation Standing Committee meeting to order at 1:03 p.m. Representatives C. Johnson, McKay, Stutes, Mina, Sumner, and McCabe were present at the call to order. Representative Vance arrived as the meeting was in progress.

HB 197-ELECTRONIC GAMING ON AMHS FERRIES

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CHAIR MCCABE announced that the only order of business would be HOUSE BILL NO. 197, "An Act relating to gaming activities on Alaska marine highway system vessels; and providing for an effective date."

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JOE LURTSEMA, Staff, Representative Jesse Sumner, Alaska State Legislature, presented HB 197 on behalf of Representative Sumner, prime sponsor, and paraphrased the sponsor statement [included in the committee packet] which read as follows [original punctuation provided]:

House Bill 197 would legalize electronic gaming on the AMHS Ferry System, and on the Alaska Marine Hwy. Currently in Alaska Statute, only pull tabs and bingo are legal forms of gaming. HB197 would legalize additional games to only be played on vessels, and in approved waters.

This bill would generate revenue for our failing ferry system, which has not turned a profit since its

inception. Tourist season in the southeast sees upward of 1.5 million people pass through per year, with close to \$800 million dollars spent in our great state. Allowing these tourists, and for the citizens of Alaska, to enjoy gaming on the ferry system, would create revenue, jobs, and opportunities for our state and the people in it.

Other states with similar gaming concepts (i.e. riverboat gaming, gaming on water) have seen massive increases in revenue, which result in additional funding to state's education systems and other important agencies. The ferry system and the Alaska marine highway are currently generating a loss of revenue every calendar year, and House Bill 197 aims to stop that downward trend.

MR. LURTSEMA added that the ferry system is almost \$1 billion in debt, and new revenue must be generated for the success of the state.

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MR. LURTSEMA gave the sectional analysis to HB 197 [included in the committee packet] which read as follows [original punctuation provided]:

Section 1: AS 05.15.020 is amended to add a new subsection to require an annual permit to conduct gaming activities on vessels 3 miles from land on The Alaska Marine Highway. The cost of the annual permit is \$10,000.

Sec. 2. AS 05.15.060(a)(11) is amended to establish standards for online ticket sales to ensure compliance with charitable gaming laws, including age and location verification requires.

AS 05.15.060(a) amends sub-section (12) to include gaming activities on vessels of The Alaska Marine highway system;

Furthermore, sub-section (12) of the current statute changes to (13) without changing the language to re-organize the syntax of the statute.

Sec. 3. AS 05.15 is amended to include new sections that define Gaming on Alaska Marine Highway system vessels.

Sec. 05.15.300. Notwithstanding the current laws prohibiting gambling in Alaska, this section allows gaming activities for persons at least three miles away from shore in designated areas on the vessels away from dining areas, children, and passenger cabins. Furthermore, participation in gaming activities is limited to a person who is 21 years of age or older.

A person shall pay 10% of their gross receipts less prizes awarded on gaming activities to the department of tax in the preceding month by the 15th day of the following month.

A person conducting gaming activities must maintain records of all gaming transactions and make the records available to the department for inspection. Furthermore, the department may not issue more than one permit for a vessel. However, a person may conduct more than one type of gaming activity on a vessel and may conduct gaming activities on more than one vessel if the person holds a permit for each vessel.

Sec. 05.15.310 Permits. Notwithstanding the current laws prohibiting the issuance of gambling permits in Alaska, the department may issue a permit to conduct gaming activities on a vessel to a qualifying organization or a business that is registered and in good standing with the Department of Commerce, Community, and Economic Development and has entered a contract with a qualified organization to operate gaming activities on behalf of the qualified organization. Sec.

05.15.320. Penalty. A person who conducts a gaming activity onboard a vessel without a valid permit defined in this sectional analysis is guilty of a class B misdemeanor. Sec.

05.15.320. Definitions. (1) "gaming activity" means bingo, pull-tab activities, raffles, lotteries, card games, dice games, slot machines, video lottery terminals, or other games of chance authorized by the

department; (2) "vessel" means a vessel of the Alaska marine highway system.

Sec. 4. This Act takes effect July 1, 2024.

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MR. LURTSEMA began following a PowerPoint, titled "HB 197 Electronic Gaming on AMHS Ferries." He moved to slide 4, titled "Current Regulations for Gambling in Alaska," which read as follows [original punctuation provided]:

In Alaska, gambling is regulated under Alaska Statutes Title 5 and the Alaska Administrative Code 15 AAC.160, which establish the process for obtaining a permit to conduct gaming and outline the procedures and restrictions for games. Land-based gambling is limited while online gambling remains unregulated, with local businesses prohibited from operating online casino sites.

MR. LURTSEMA continued to slide 5, titled "Economic Benefit," which read as follows [original punctuation provided]:

Potential Revenue from Legalized Gambling

1 The introduction of electronic gaming on AMHS ferries has the potential to generate additional revenue through fees, taxes, and a percentage of gaming income, similar to land-based casinos, contributing to the funding of maritime services.

2 Implementing electronic gaming on ferries could create diverse job opportunities, spanning roles from casino staff to managerial positions, benefiting local employment and supporting the communities served by the AMHS.

3 Legalizing electronic gaming on AMHS ferries offers significant economic benefits, including increased revenue, job creation, and boosted tourism. The ferry system could profit from fees and taxes while creating jobs, attracting more tourists, and fostering regional economic growth through reinvestment of gaming-related revenue

MR. LURTSEMA concluded on slide 6, titled "Gross gaming revenue of casinos in the United States in 2022, by state (in million U.S. dollars)." The slide featured a graph published by Statista Research Department including several states that have legalized river boat gaming. He urged the committee to vote yes on HB 197.

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REPRESENTATIVE STUTES expressed a concern regarding verbiage in the sponsor statement about profits, relating that "it has not turned a profit since its inception." She added that it is called the Alaska Marine Highway System (AMHS), which designates it is part of the state highway system, and she clarified that she did not know of any highway in the state that has turned a profit since its inception. She opined that the statement was disingenuous.

CODY RICE, Majority Staff, Alaska State Legislature, answered questions during the hearing on HB 197. He expressed his belief that Representative Stutes had a fair point in terms of the cost of highway systems.

REPRESENTATIVE STUTES suggested to keep in mind that the AMHS is the only highway user in the state that pays to get on the highway in excess of gas tax.

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MR. RICE brought attention to a handout [included in the committee packet], which shows the following assumptions around cruise ship passengers: estimated gross gambling revenue and how many adults participate in the activity; averages; historical data on ferry passenger traffic; and cruise ship passenger traffic. He further explained the colored bars on the graph as they pertain to expenses.

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REPRESENTATIVE VANCE asked Mr. Rice when he made the analysis whether he had looked at states that were similar to Alaska in terms of marine highway systems.

MR. RICE replied there are no other states like Alaska, but the answer was no.

REPRESENTATIVE VANCE asked whether Mr. Rice had a breakdown of residents' and nonresidents' spending habits.

MR. RICE said that level of detail was not available. He further explained that the Department of Transportation & Public Facilities (DOT&PF) had not published or provided passenger data yet.

REPRESENTATIVE VANCE requested to receive the information from DOT&PF to help gather a clear picture of "spendable money" versus trying to get from one point to another, and to help utilize the model that Mr. Rice had created.

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REPRESENTATIVE STUTES stated that she took exception to some of Mr. Rice's comments, and she stressed that the AMHS is not intended to make a profit, just as none of the roads are intended to make a profit. She said she is not opposed to generating revenue for the AMHS, but it provides a service and should not be referred to as a "big money drain."

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REPRESENTATIVE MINA asked Mr. Rice how the percentage of passengers who would be participating in gaming activities is determined.

MR. RICE explained it is based on a national average. He directed a comment to Representative Stutes that if there is a preferred language or terminology that could be used, he would take suggestions into consideration.

REPRESENTATIVE STUTES responded that she would be delighted to work with him on that.

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CHAIR MCCABE asked whether the money garnered would go to the state general fund or the fair box recovery and stay in the ferry system.

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MR. LURTSEMA said the revenue would go to the Department of Revenue's Tax Division.

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CHAIR MCCABE noted if a ship is three miles offshore, they can do gaming. He questioned whether there would be a limited area of where the gaming could work.

MR. LURTSEMA said outside the 3-mile radius are federal waters where gaming is allowed. In terms of routes, he explained he is in the process of talking with an expert for an efficient answer.

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REPRESENTATIVE STUTES commented that she supported the idea and is a proponent of anything that would enhance the AMHS.

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REPRESENTATIVE MINA asked whether the new types of gaming allowed would be operated off the same definition of current gaming in the state.

MR. LURTSEMA replied that AMHS is looking to implement electronic gaming systems such as slot machines.

REPRESENTATIVE MINA noted that the bill pursues new types of gaming on ferries, and there are specific laws related to existing types of gaming. She asked whether [the bill] would extend to electronic gaming.

MR. LURTSEMA said he would confirm with experts and provide the answer at a later date.

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REPRESENTATIVE VANCE said nonprofit organizations have concerns about how [gaming] would impact AMHS's revenue based upon the current structure. She asked Mr. Lurtsema what he would say to advocates in these communities.

MR. LURTSEMA stated he would look into it and provide the answer at a later date.

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REPRESENTATIVE C. JOHNSON asked whether the state could duplicate the same things that are already legal and not worry about the 3-mile limit, and "even throw a charity in there."

MR. LURTSEMA confirmed that is also being considered, and once he had a more definitive answer, he would inform the committee.

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CHAIR MCCABE thanked the presenters and asked committee members for final comments.

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REPRESENTATIVE STUTES requested to hear from Mr. Tornga who was available online.

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CRAIG TORNGA, Director, Alaska Marine Highway System, agreed with a previous statement about grabbing any opportunities, but this would be applicable only for a few routes. He noted many vessels are old, and there were no outlets for charging phones and computers, so there is work to be done. Any modifications made to the vessels must have an engineer plan that also goes through the U.S. Coast Guard, he explained.

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REPRESENTATIVE VANCE asked whether, providing the bill passed, the engineering design would make it in time to make the adjustments for the new vessel to be implemented.

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MR. TORNGA replied that the modifications to the current plan could be made if they have approval. There is time this year, he said, if it proves to be viable. He added that currently, all vessel space is dedicated.

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MR. RICE offered his time to any committee members that have questions outside of today's hearing.

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MR. TORNGA noted that the writership numbers for 2022 were posted online now.

[HB 197 was held over.]

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CHAIR MCCABE discussed future business.

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ADJOURNMENT

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at 1:37 p.m.