

CS FOR SENATE BILL NO. 15(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTIETH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered: 2/28/18

Referred: Rules

Sponsor(s): SENATORS STEVENS, Giessel, Costello, MacKinnon, von Imhof, Micciche, Hughes, Meyer, Wielechowski, Wilson, Kelly, Bishop

REPRESENTATIVE Grenn

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to possession of an electronic smoking product or a product containing**
2 **nicotine by a minor and to selling or giving a product containing nicotine or an**
3 **electronic smoking product to a minor; relating to business license endorsements to sell**
4 **cigarettes, cigars, tobacco, products containing tobacco, electronic smoking products, or**
5 **products containing nicotine; and relating to citations for certain offenses concerning**
6 **tobacco, products containing nicotine, or electronic smoking products."**

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

8 * **Section 1.** AS 11.76.105 is amended to read:

9 **Sec. 11.76.105. Possession of tobacco, electronic smoking products, or**
10 **products containing nicotine by a minor.** (a) A person under 19 years of age may
11 not knowingly possess a cigarette, a cigar, tobacco, [OR] a product containing
12 tobacco, **an electronic smoking product, or a product containing nicotine** in this
13 state. This subsection does not apply to a person who is a prisoner at an adult

1 correctional facility.

2 (b) Possession of tobacco, an electronic smoking product, or a product
 3 containing nicotine by a minor is a violation.

4 * **Sec. 2.** AS 11.76.105 is amended by adding a new subsection to read:

5 (c) In a prosecution under (a) of this section for possession of an electronic
 6 smoking product or a product containing nicotine, it is an affirmative defense that the
 7 electronic smoking product or product containing nicotine possessed by the person
 8 under 19 years of age was intended or expected to be consumed without being
 9 combusted, and the electronic smoking product or product containing nicotine

10 (1) has been approved by the United States Food and Drug
 11 Administration for sale as a tobacco use cessation or harm reduction product or for
 12 other medical purposes;

13 (2) was being marketed and sold for the approved purposes; and

14 (3) was

15 (A) prescribed by a health care professional;

16 (B) given to the person by the person's parent or guardian;

17 (C) provided by a state-approved tobacco cessation program
 18 administered by the Department of Health and Social Services; or

19 (D) provided by a pharmacist to a person 18 years of age or
 20 older without a prescription.

21 * **Sec. 3.** AS 11.76.106(a) is amended to read:

22 (a) Except as provided under (b) of this section, a person may not sell
 23 cigarettes, cigars, tobacco, products [OR A PRODUCT] containing tobacco,
 24 electronic smoking products, or products containing nicotine unless the sale
 25 occurs in a manner that allows only the sales clerk to control access to the cigarettes,
 26 cigars, tobacco, products [OR PRODUCT] containing tobacco, electronic smoking
 27 products, or products containing nicotine.

28 * **Sec. 4.** AS 11.76.106(b) is amended to read:

29 (b) Subsection (a) does not apply if the sale

30 (1) is by vending machine as provided under AS 11.76.100(b) or
 31 11.76.109(f);

(2) is a wholesale transaction, the person is licensed as a manufacturer or distributor under AS 43.50.010, and the sale occurs on premises where no retail transactions occur; [OR]

(3) is by a retailer who sells primarily cigarettes, cigars, tobacco, products [OR A PRODUCT] containing tobacco, electronic smoking products, or products containing nicotine and who restricts access to the premises to only those individuals who are 19 years of age or older; or

(4) is of electronic smoking products over the Internet to a person 19 years of age or older.

* Sec. 5. AS 11.76.107(a) is amended to read:

(a) A person commits the offense of failure to supervise a [CIGARETTE] vending machine if the person owns premises licensed as a beverage dispensary under AS 04.11.090 or licensed as a club under AS 04.11.110 or licensed as a package store under AS 04.11.150 and with criminal negligence fails to have an employee supervise a vending machine on those premises that dispenses cigarettes, cigars, tobacco, [OR] products containing tobacco, electronic smoking products, or products containing nicotine as required by AS 11.76.100(b)(1)(B) and 11.76.109(f)(1)(B).

* Sec. 6. AS 11.76.109(a) is amended to read:

(a) A person commits the offense of selling or giving an electronic smoking product or a product containing nicotine to a minor if the person

(1) negligently sells an electronic smoking product or a product containing nicotine to a person under 19 years of age; [OR]

(2) is 19 years of age or older and negligently exchanges or gives an electronic smoking product or a product containing nicotine to a person under 19 years of age;

(3) maintains a vending machine that dispenses electronic smoking products or products containing nicotine; or

(4) holds a business license endorsement under AS 43.70.075 and allows a person under 19 years of age to sell an electronic smoking product or a product containing nicotine.

* Sec. 7. AS 11.76.109(b) is amended to read:

(b) The provisions of (a) of this section do not apply to the sale, exchange, or gift to a person under 19 years of age of an electronic smoking product or a product containing nicotine that is intended or expected to be consumed without being combusted if the electronic smoking product or product containing nicotine

(1) has been approved by the United States Food and Drug Administration for sale as a tobacco use cessation or harm reduction product or for other medical purposes;

(2) is being marketed and sold solely for the approved purposes; and

(3) is

(A) prescribed by a health care professional;

(B) given to a person by the person's parent or legal guardian;

(C) provided by a state-approved tobacco cessation program administered by the Department of Health and Social Services; or

(D) provided by a pharmacist to a person 18 years of age or older without a prescription.

* **Sec. 8.** AS 11.76.109(e) is amended to read:

(e) Selling or giving an electronic smoking product or a product containing nicotine to a minor is a violation and, upon conviction, is punishable by a fine of not less than \$300.

* **Sec. 9.** AS 11.76.109 is amended by adding new subsections to read:

(f) Notwithstanding (a)(3) of this section, a person who maintains a vending machine is not in violation of (a)(3) of this section if the vending machine is located

(1) on premises licensed as a beverage dispensary under AS 04.11.090, licensed as a club under AS 04.11.110, or licensed as a package store under AS 04.11.150, and is located

(A) as far as practicable from the primary entrance; and

(B) in a place that is directly and continually supervised by a person employed on the licensed premises during the hours the vending machine is accessible to the public; or

(2) in an employee break room or other controlled area of a private work place that is not generally considered a public place and the room or area

contains a posted warning sign at least 11 inches by 8.5 inches indicating that possession of electronic smoking products or products containing nicotine by a person under 19 years of age without a prescription is prohibited under AS 11.76.109.

(g) The court shall forward a record of each person convicted under this section who holds a business license endorsement under AS 43.70.075, or who is an employee or agent of a person who holds a business license endorsement under AS 43.70.075, to the Department of Commerce, Community, and Economic Development.

* **Sec. 10.** AS 11.81.900(b) is amended by adding a new paragraph to read:

(67) "electronic smoking product"

(A) means

(i) any product containing or delivering nicotine or any other substance intended for human consumption that can be used by a person through inhalation of vapor or aerosol from the product, of any size or shape, whether the product is manufactured, distributed, marketed, or sold as an e-cigarette, e-cigar, e-pipe, e-hookah, vape pen, or any other product name or descriptor; or

(ii) a component, solution, alternative tobacco product, e-liquid, e-juice, vapor product, flavoring, or other related product of an electronic cigarette, electronic cigar, electronic cigarillo, electronic pipe, or other similar device of any size or shape used for, or to assist with, aerosolizing and inhaling chemical substances that may cause an adverse effect on human health;

(B) does not include marijuana as defined in AS 11.71.900.

* **Sec. 11.** AS 43.50.070(a) is amended to read:

(a) The department may suspend, revoke, or refuse to renew a license issued under this chapter (1) for a negligent violation of AS 11.76.100, 11.76.106, 11.76.107, **11.76.109**, or a violation of this chapter or a regulation of the department adopted under this chapter; (2) if a licensee ceases to act in the capacity for which the license was issued; or (3) if a licensee negligently sells tobacco or products containing tobacco to a person who is required to, but does not, hold a license endorsement under

AS 43.70.075 or whose license endorsement under AS 43.70.075 has been suspended. A person whose license is suspended or revoked may not sell cigarettes or tobacco products, or permit cigarettes or tobacco products to be sold, during the period of the suspension or revocation on the premises occupied or controlled by that person. A disciplinary proceeding or action is not barred or abated by the expiration, transfer, surrender, renewal, or extension of a license issued under this chapter. The department shall comply with the provisions of AS 44.62 (Administrative Procedure Act), except that a hearing officer of the department, rather than a hearing officer assigned under AS 44.62.350, may conduct hearings.

* **Sec. 12.** AS 43.50.105(b) is amended to read:

(b) A person who is licensed under this chapter may not ship or cause to be shipped cigarettes to a person in this state unless the person receiving the cigarettes

(1) is licensed under this chapter;

(2) holds a **business license** [TOBACCO] endorsement under AS 43.70.075;

(3) is an operator of a customs bonded warehouse under 19 U.S.C. 1311 or 19 U.S.C. 1555;

(4) is an instrumentality of the federal government or an Indian tribal organization authorized by law to possess cigarettes not taxed under this chapter; or

(5) is an individual 19 years of age or older receiving the cigarettes for personal consumption and the tax imposed on the cigarettes under this chapter has been paid.

* **Sec. 13.** AS 43.70.075(a) is amended to read:

(a) Unless a person has a business license endorsement issued under this section for each location or outlet in a location where the person offers tobacco products, **electronic smoking products, or products containing nicotine** for sale, a person may not sell or allow a vending machine to sell in its location or outlet cigarettes, cigars, tobacco, [OR OTHER] products containing tobacco, **electronic smoking products, or products containing nicotine** as a retailer at that location or outlet. Each endorsement required under this section is in addition to any other license or endorsement required by law. A person may not apply for an endorsement under

1 this section for a location or outlet if an endorsement issued for the same location or
 2 outlet is currently suspended or revoked. An endorsement issued for a location or
 3 outlet to a person in violation of this subsection is void.

4 * **Sec. 14.** AS 43.70.075(d) is amended to read:

5 (d) If a person who holds an endorsement issued under this section, or an
 6 agent or an employee of a person who holds an endorsement issued under this section
 7 acting within the scope of the agency or employment, has been convicted of violating
 8 AS 11.76.100, 11.76.106, [OR] 11.76.107, or 11.76.109, the department shall impose
 9 a civil penalty as set out in this subsection. However, following a hearing under (m) of
 10 this section, and based on evidence admitted at that hearing concerning questions
 11 specified in (m)(4) and (6) of this section, the department may reduce by not more
 12 than 10 days a suspension under (1) of this subsection, or by not more than 20 days a
 13 suspension under (2) of this subsection, or increase by not more than 10 days a
 14 suspension under (1) of this subsection, or by not more than 20 days a suspension
 15 under (2) of this subsection. If a hearing is not requested, or if a hearing is requested
 16 and the department determines that the evidence admitted does not support increasing
 17 or decreasing the suspension, the department shall suspend the endorsement for a
 18 period of

19 (1) 20 days and impose a civil penalty of \$500 [\$300] if the person has
 20 not been previously convicted of violating AS 11.76.100, 11.76.106, [OR] 11.76.107,
 21 or 11.76.109 and is not otherwise subject to the sanctions described in (2) - (4) of this
 22 subsection;

23 (2) 45 days and impose a civil penalty of \$2,000 [\$500] if, within the
 24 24 months before the date of the department's notice under (m) of this section, the
 25 person, or an agent or employee of the person while acting within the scope of the
 26 agency or employment of the person, was convicted once of violating AS 11.76.100,
 27 11.76.106, [OR] 11.76.107, or 11.76.109;

28 (3) 90 days and impose a civil penalty of \$4,000 [\$1,000] if, within the
 29 24 months before the date of the department's notice under (m) of this section, the
 30 person, or an agent or employee of the person while acting within the scope of the
 31 agency or employment of the person, was convicted twice of violating AS 11.76.100,

1 11.76.106, [OR] 11.76.107, or 11.76.109, or a provision of this section or a regulation
 2 implementing this section adopted under AS 43.70.090; or

3 (4) one year and impose a civil penalty of \$10,000 [\$2,500] if, within
 4 the 24 months before the date of the department's notice under (m) of this section, the
 5 person, or an agent or employee of the person while acting within the scope of the
 6 agency or employment of the person, was convicted three or more times [THAN
 7 TWICE] of violating AS 11.76.100, 11.76.106, [OR] 11.76.107, or 11.76.109.

8 * **Sec. 15.** AS 43.70.075(f) is amended to read:

9 (f) A person who holds a license endorsement issued under this section shall
 10 post on the licensed premises a warning sign as described in this subsection. A
 11 warning sign required by this subsection must be at least 8.5 [6] inches by 11 [18]
 12 inches and must read [, IN LETTERING AT LEAST 1.25 INCHES HIGH]: "The sale
 13 of electronic smoking products or products containing nicotine without a
 14 prescription or tobacco products to persons under age 19 is illegal." A person holding
 15 an endorsement issued under this section shall display the warning sign in a manner
 16 conspicuous to a person purchasing or consuming tobacco products, electronic
 17 smoking products, or products containing nicotine on the licensed premises. The
 18 department shall make available the [, WITHOUT CHARGE, FURNISH] warning
 19 signs required under this section to a person who holds an endorsement issued under
 20 this section or a person who requests the sign with the intention of displaying it.

21 * **Sec. 16.** AS 43.70.075(i) is amended to read:

22 (i) The commissioner or the commissioner of revenue may seize cigarettes,
 23 electronic smoking products, or products containing nicotine that do not comply
 24 with this section. After notice and an opportunity for a hearing, the commissioner or
 25 the commissioner of revenue shall destroy cigarettes, electronic smoking products,
 26 or products containing nicotine seized under this subsection.

27 * **Sec. 17.** AS 43.70.075(l) is amended to read:

28 (l) Notwithstanding (a) of this section, a person owning vending machines that
 29 offer tobacco products, electronic smoking products, or products containing
 30 nicotine for sale need obtain only one business license endorsement under this section
 31 even if the person has vending machines in more than one outlet or location in the

state. The person who owns a vending machine that offers tobacco products, **electronic smoking products, or products containing nicotine** for sale and the person who owns the premises where the vending machine is located are both required to obtain a business license endorsement issued under this section. If the endorsement of the person owning the vending machine is suspended or revoked, the person may not sell cigarettes, cigars, [OR OTHER] products containing tobacco, **electronic smoking products, or products containing nicotine** during the period of suspension or revocation through the use of vending machines at the location or outlet where the violation occurred. During the period of suspension or revocation, the person owning that vending machine may not use that machine to sell tobacco products, **electronic smoking products, or products containing nicotine** at another location or outlet.

* **Sec. 18.** AS 43.70.075(m) is amended to read:

(m) The department may initiate suspension of a business license endorsement or the right to obtain a business license endorsement under this section by sending the person subject to the suspension a notice by certified mail, return receipt requested, or by delivering the notice to the person. The notice must contain information that informs the person of the grounds for suspension, the length of any suspension sought, and the person's right to administrative review. A suspension begins 30 days after receipt of notice described in this subsection unless the person delivers a timely written request for a hearing to the department in the manner provided by regulations of the department. If a hearing is requested under this subsection, an administrative law judge of the office of administrative hearings (AS 44.64.010) shall determine the issues by using the preponderance of the evidence test and shall, to the extent they do not conflict with regulations adopted under AS 44.64.060, conduct the hearing in the manner provided by regulations of the department. A hearing under this subsection is limited to the following questions:

(1) was the person holding the business license endorsement, or an agent or employee of the person while acting within the scope of the agency or employment of the person, convicted by plea or judicial finding of violating AS 11.76.100, 11.76.106, [OR] 11.76.107, **or 11.76.109**;

(2) if the department does not allege a conviction of AS 11.76.100,

1 11.76.106, [OR] 11.76.107, or 11.76.109, did the person, or an agent or employee of
 2 the person while acting within the scope of the agency or employment of the person,
 3 violate a provision of (a) or (g) of this section;

4 (3) within the 24 months before the date of the department's notice
 5 under this subsection, was the person, or an agent or employee of the person while
 6 acting within the scope of the agency or employment of the person, convicted of
 7 violating AS 11.76.100, 11.76.106, [OR] 11.76.107, or 11.76.109 or adjudicated for
 8 violating a provision of (a) or (g) of this section;

9 (4) did the person holding the business license endorsement establish
 10 that the person holding the business license endorsement had adopted and enforced an
 11 education, a compliance, and a disciplinary program for agents and employees of the
 12 person as provided in (t) of this section;

13 (5) did the person holding the business license endorsement overcome
 14 the rebuttable presumption established in (w) of this section;

15 (6) within five years before the date of the violation that is the subject
 16 of the hearing, did the department establish that the person holding the business
 17 license endorsement

18 (A) previously violated (a) or (g) of this section;

19 (B) previously violated AS 11.76.100, 11.76.106, [OR]
 20 11.76.107, or 11.76.109 at a location or outlet in a location for which the
 21 person holds a business license endorsement, or had an agent or employee
 22 previously violate AS 11.76.100, 11.76.106, [OR] 11.76.107, or 11.76.109;
 23 this subparagraph does not apply to a prior conviction that served to enhance a
 24 suspension period under (d)(2) - (4) of this section; or

25 (C) engaged at a location owned by the person in other conduct
 26 that was or is likely to result in the sale of tobacco, electronic smoking
 27 products, or products containing nicotine to a person under 19 years of age
 28 in violation of AS 11.76.100, 11.76.106, [OR] 11.76.107, or 11.76.109.

29 * **Sec. 19.** AS 43.70.075(r) is amended to read:

30 (r) For purposes of this section, the sale of a product containing tobacco,
 31 electronic smoking product, or product containing nicotine by an agent or

employee of a person who holds or is required to hold a business license endorsement under this section at the location or outlet in a location for which the endorsement was or was required to be issued is rebuttably presumed to have been a sale within the person's scope of agency or employment.

* **Sec. 20.** AS 43.70.075(t) is amended to read:

(t) Based on evidence provided at the hearing under (m)(4) - (6) of this section, the department may reduce the license suspension period under (d) of this section if the person holding the business license endorsement establishes that, before the date of the violation, the person had

(1) adopted and enforced a written policy against selling cigarettes, cigars, tobacco, [OR] products containing tobacco, **electronic smoking products, or products containing nicotine** to a person under 19 years of age in violation of AS 11.76.100, 11.76.106, [OR] 11.76.107, **or 11.76.109**;

(2) informed the person's agents and employees of the applicable laws and their requirements and conducted training on complying with the laws and requirements;

(3) required each agent and employee of the person to sign a form stating that the agent and employee has been informed of and understands the written policy and the requirements of AS 11.76.100, 11.76.106, [AND] 11.76.107, **and 11.76.109**;

(4) determined that the agents and employees of the person had sufficient experience and ability to comply with the written policy and requirements of AS 11.76.100, 11.76.106, [AND] 11.76.107, **and 11.76.109**;

(5) required the agents and employees of the person to verify the age of purchasers of cigarettes, cigars, tobacco, [OR] other products containing tobacco, **electronic smoking products, or products containing nicotine** by means of a valid government issued photographic identification;

(6) established and enforced disciplinary sanctions for noncompliance with the written policy or the requirements of AS 11.76.100, 11.76.106, [AND] 11.76.107, **and 11.76.109**; and

(7) monitored the compliance of the agents and employees of the

1 person with the written policy and the requirements of AS 11.76.100, 11.76.106,
2 [AND] 11.76.107, and 11.76.109.

3 * **Sec. 21.** AS 43.70.075(v) is amended to read:

4 (v) Notwithstanding (d) of this section, in place of a hearing under (m) of this
5 section, the department and the person holding the business license endorsement may
6 enter into a memorandum of agreement regarding the imposition of a suspension and
7 civil penalties based on a violation of AS 11.76.100, 11.76.106, [OR] 11.76.107, or
8 11.76.109. The memorandum of agreement must contain a provision that the person
9 holding the business license endorsement admits or does not contest that a violation of
10 AS 11.76.100, 11.76.106, [OR] 11.76.107, or 11.76.109 occurred and accepts the
11 imposition of suspension and civil penalty under this section. Based on the
12 memorandum of agreement, the department may reduce the period of suspension. For
13 violations involving AS 11.76.100, 11.76.106, [OR] 11.76.107, or 11.76.109, the
14 department may not reduce the period of suspension by more than 10 days under
15 (d)(1) of this section or by more than 20 days under (d)(2) of this section. The
16 department may not agree to a reduction in the period of suspension more than once in
17 a 12-month time period for a location or outlet in a location for which the person holds
18 a business license endorsement.

19 * **Sec. 22.** AS 43.70.075(w) is amended to read:

20 (w) For purposes of (m)(5) of this section, a conviction for a violation of
21 AS 11.76.100, 11.76.106, [OR] 11.76.107, or 11.76.109 by the agent or employee of
22 the person who holds the business license endorsement is rebuttably presumed to
23 constitute proof of the fact that the agent or employee negligently sold a cigarette, a
24 cigar, or tobacco, [OR] a product containing tobacco, electronic smoking product, or
25 product containing nicotine to a person under 19 years of age. The person who holds
26 the business license endorsement may overcome the presumption by establishing by
27 clear and convincing evidence that the agent or employee did not negligently sell a
28 cigarette, a cigar, or tobacco, [OR] a product containing tobacco, electronic smoking
29 product, or product containing nicotine to a person under 19 years of age in
30 violation of AS 11.76.100, 11.76.106, [OR] 11.76.107, or 11.76.109 as alleged in the
31 citation issued to the agent or employee. The presentation of evidence authorized by

1 this subsection does not constitute a collateral attack on the conviction described in
2 this subsection.

3 * **Sec. 23.** AS 43.70.075(x) is amended to read:

4 (x) Notwithstanding (d), (t), or (v) of this section, a period of suspension may
5 not be reduced for a violation of AS 11.76.100(a)(4) **or 11.76.109(a)(4)**.

6 * **Sec. 24.** AS 43.70.105(b) is amended to read:

7 (b) Notwithstanding an exemption provided by (a) of this section, a person
8 who sells cigarettes, cigars, tobacco, [OR OTHER] products containing tobacco,
9 **electronic smoking products, or products containing nicotine** as a retailer must
10 have a business license under AS 43.70.020 and a business license endorsement
11 required under AS 43.70.075.

12 * **Sec. 25.** AS 43.70.110 is amended by adding new paragraphs to read:

13 (6) "electronic smoking product" has the meaning given in
14 AS 11.81.900(b);

15 (7) "product containing nicotine" does not include a cigarette, a cigar,
16 tobacco, or a product containing tobacco.

17 * **Sec. 26.** AS 44.29.092 is amended to read:

18 **Sec. 44.29.092. Citation for certain offenses concerning tobacco, products**
19 **containing nicotine, or electronic smoking products**. A peace officer or an agent or
20 employee of the Department of Health and Social Services who is authorized by the
21 commissioner of health and social services to enforce this section may issue a citation
22 for a violation of AS 11.76.100, 11.76.106, [OR] 11.76.107, **or 11.76.109** if there is
23 probable cause to believe a person has violated AS 11.76.100, 11.76.106, [OR]
24 11.76.107, **or 11.76.109**.

25 * **Sec. 27.** The uncodified law of the State of Alaska is amended by adding a new section to
26 read:

27 APPLICABILITY. AS 11.76.105, as amended by sec. 1 of this Act, AS 11.76.106(a),
28 as amended by sec. 3 of this Act, AS 11.76.106(b), as amended by sec. 4 of this Act,
29 AS 11.76.107(a), as amended by sec. 5 of this Act, AS 11.76.109(a), as amended by sec. 6 of
30 this Act, AS 11.76.109(b), as amended by sec. 7 of this Act, AS 11.76.109(e), as amended by
31 sec. 8 of this Act, and AS 11.76.109(f), added by sec. 9 of this Act, apply to offenses

1 committed on or after the effective date of this Act.