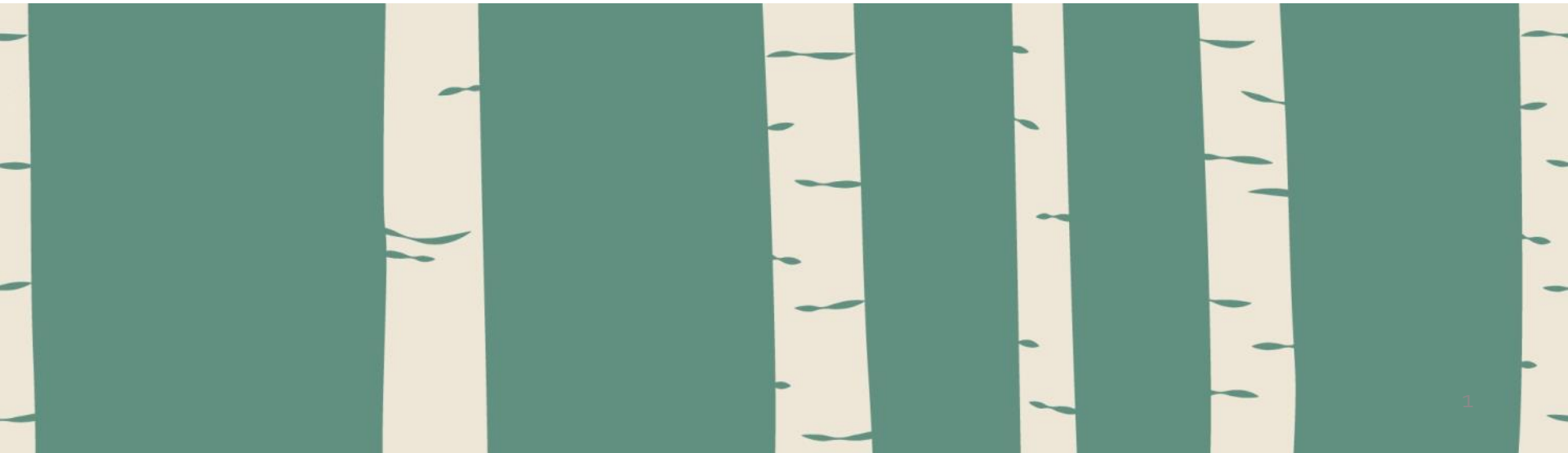


Alcoholic Beverage Control (ABC) Board, Title 4 Review Project

House Bill 357

House Labor and Commerce Committee

April 11, 2018



Today's Overview of HB 357

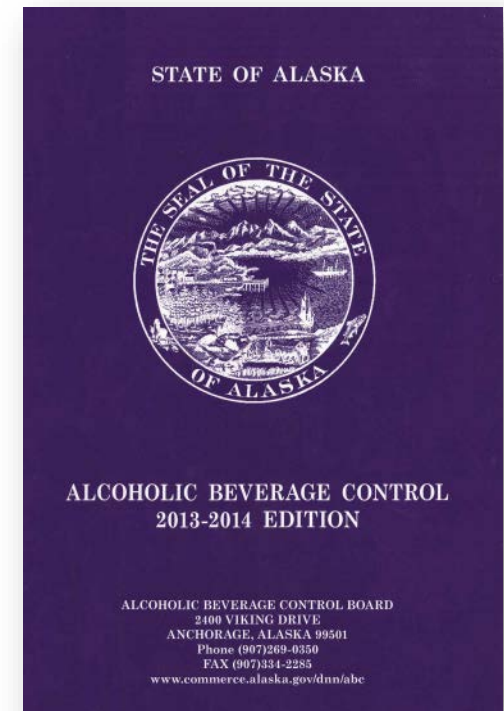
1. **Overview of Title 4 Review** (2012 – present)
2. **HB 357 Sectional Summary**
 - **AS 04. Chapter 6:** sections 1 - 8, pp. 1 - 5
 - **AS 04. Chapter 9:** section 9, pp. 5 - 49
 - **AS 04. Chapter 11:** sections 10 - 72, pp. 50 – 79
 - **AS 04. Chapter 16:** sections 73 - 121, pp. 79 - 97
 - **AS 04. Chapter 21:** sections 122 - 136, pp. 97 - 104
 - **Other Titles' Changes:** sections 137 – 148, pp. 104 – 109
 - **Transition:** sections 149 – 159, pp. 109 – 114

Note: please refer to the Title 4 Review Stakeholder Recommendations Report (January 2018) for more detailed information about the project and individual recommendations. The report is available as part of this hearing packet, and on the AMCO website: www.commerce.alaska.gov/web/amco

1. Title 4 Review Project

Why review Title 4?

- Most of Title 4 has not been updated since 1980. The laws are outdated and confusing.
- Many existing laws do not reflect current trends or values.
- A systematic review of Title 4 helps the Board carry out its mission and will benefit communities and businesses.



Goals of Title 4 Review Process

- Promote a fair business climate and protect public health and safety.
 - Create rational regulation for all tiers of the state's alcohol industry.
 - Limit youth access to alcohol, while ensuring youth are not criminalized
 - Promote responsible alcohol use and reduce the harms of overconsumption.



Photo: Anchorage Daily News

Goals of Title 4 Review Process

- Make Title 4 a clear and consistent legal framework.
 - Increase swiftness, proportionality and consistency of penalties.
 - Increase local law enforcement of Title 4.
 - Increase licensee accountability before the ABC Board for Title 4 violations.



Photo: Anchorage Daily News

Six Years of Work

MAY 2012

2018



More than 100 stakeholders and staff spent over 12,000 hours (and counting) to craft Title 4 recommendations for proposed legislation.

Diverse Stakeholders



Youth



Public Health



Business



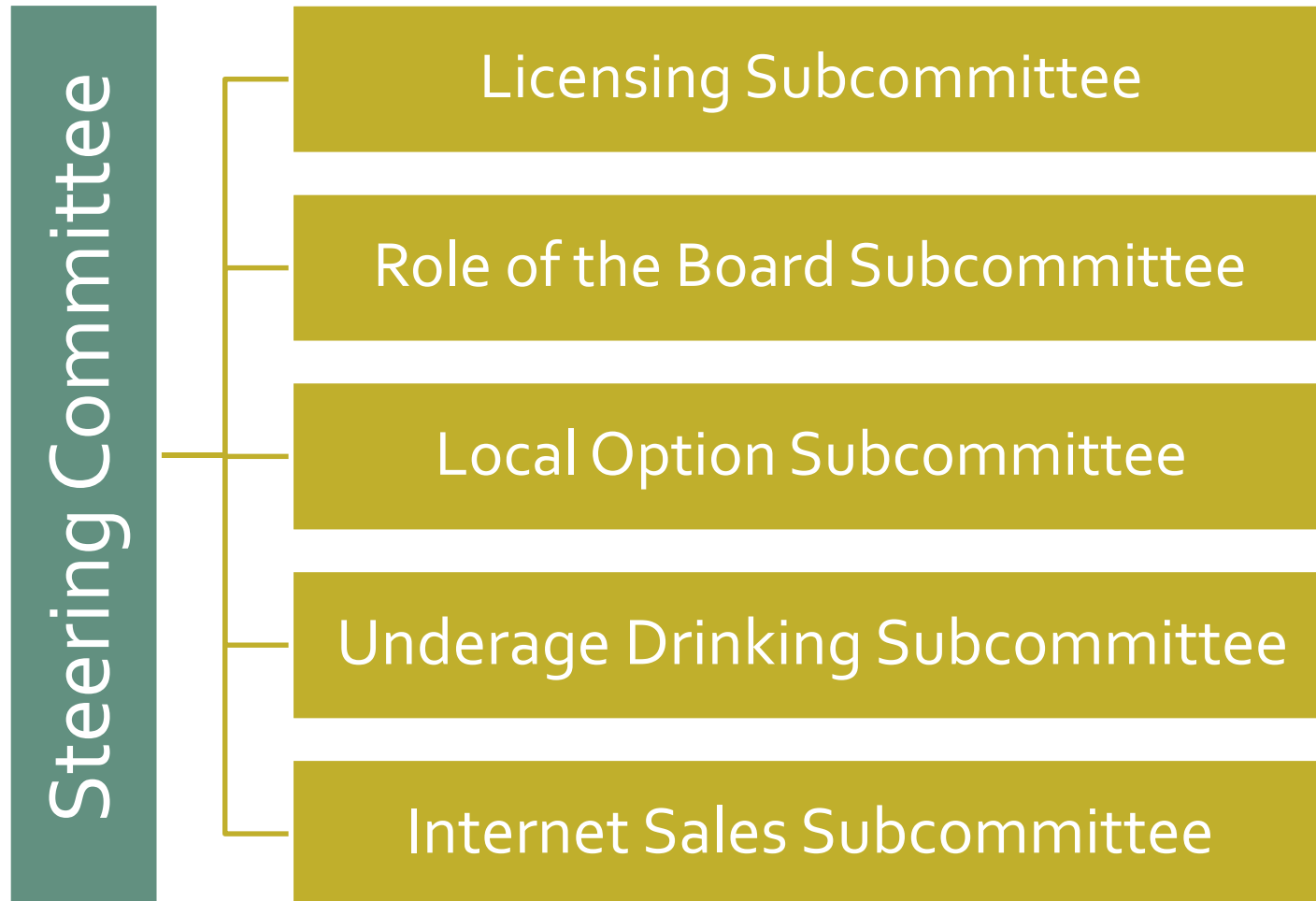
Public Safety



Rural Communities

- ABC Board, AMCO (staff)
- Public Safety and Law Enforcement
- Industry
 - Manufacturers
 - Wholesalers
 - Retailers
- Public Health
 - Recover Alaska
 - Department of Health and Social Services
 - Alaska Mental Health Trust Authority
 - Rasmuson Foundation
- Community Advocates
- Local Governments

Five Topic-based Committees



2. HB 357 Sectional Summary

- **AS 04. Chapter 6:** sections 1 - 8, pp. 1 - 5
- **AS 04. Chapter 9:** section 9, pp. 5 - 49
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- **AS 04. Chapter 16:** sections 73 - 121, pp. 79 - 97
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Questions are welcome after each section of the presentation.

Categories of Recommendations

1. Alcohol Licenses, Permits and Trade Practices
2. Role and Functions of the ABC Board and Staff
3. Underage Drinking and Youth Access to Alcohol
4. Regulation of Internet Sales of Alcohol
5. Technical or Administrative Law Changes
6. Local Option Communities*

* Note: Local Option recommendations are documented in the report, but not included in HB 357. More comprehensive discussion of Local Option laws is needed in the future.

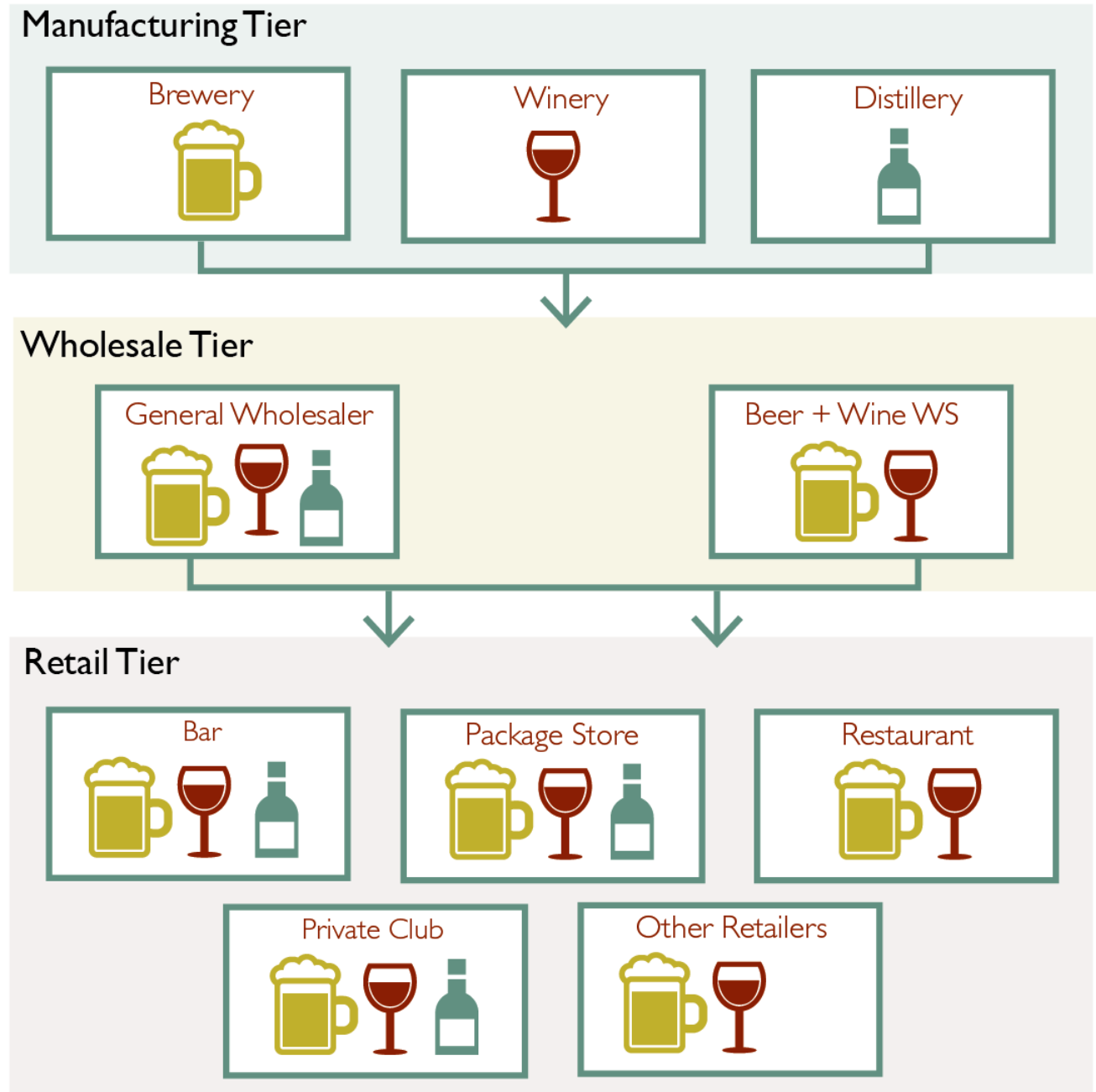
Key Concepts in Title 4

- **The 3 tier system:** separation of manufacturers, wholesalers and retailers to prevent monopolies
- **Population limits:** regulates number of licenses available in each community by type
- **Licenses and permits:**
 - **License:** allows a business to sell, serve, distribute and/or manufacture alcohol for 2 years.
 - **Permit:** time-limited alcohol sales or service, by a licensee or non-licensed organization.
- ***Proposed new concept:* Endorsements** on licenses to expand premises or allowed activities

The 3-Tier System

Alcohol must be manufactured, distributed and sold to the public by different businesses.

This is designed to prevent monopolies.



Population Limits: *Current Title 4*

(AS 04.11.400)

Population limits determine how many of each license type may be issued in each community.



Restaurants have a 1 : 1,500 limit.

All other license types (bars, package stores, golf courses, breweries) have a 1 : 3,000 limit.

Some licenses are exempt from population limits: bars located in hotels or airports, restaurants issued for public convenience, and licenses that serve tourists.

Population Limits Apply Per License Type

Density = Net Population ÷ Number of Licenses

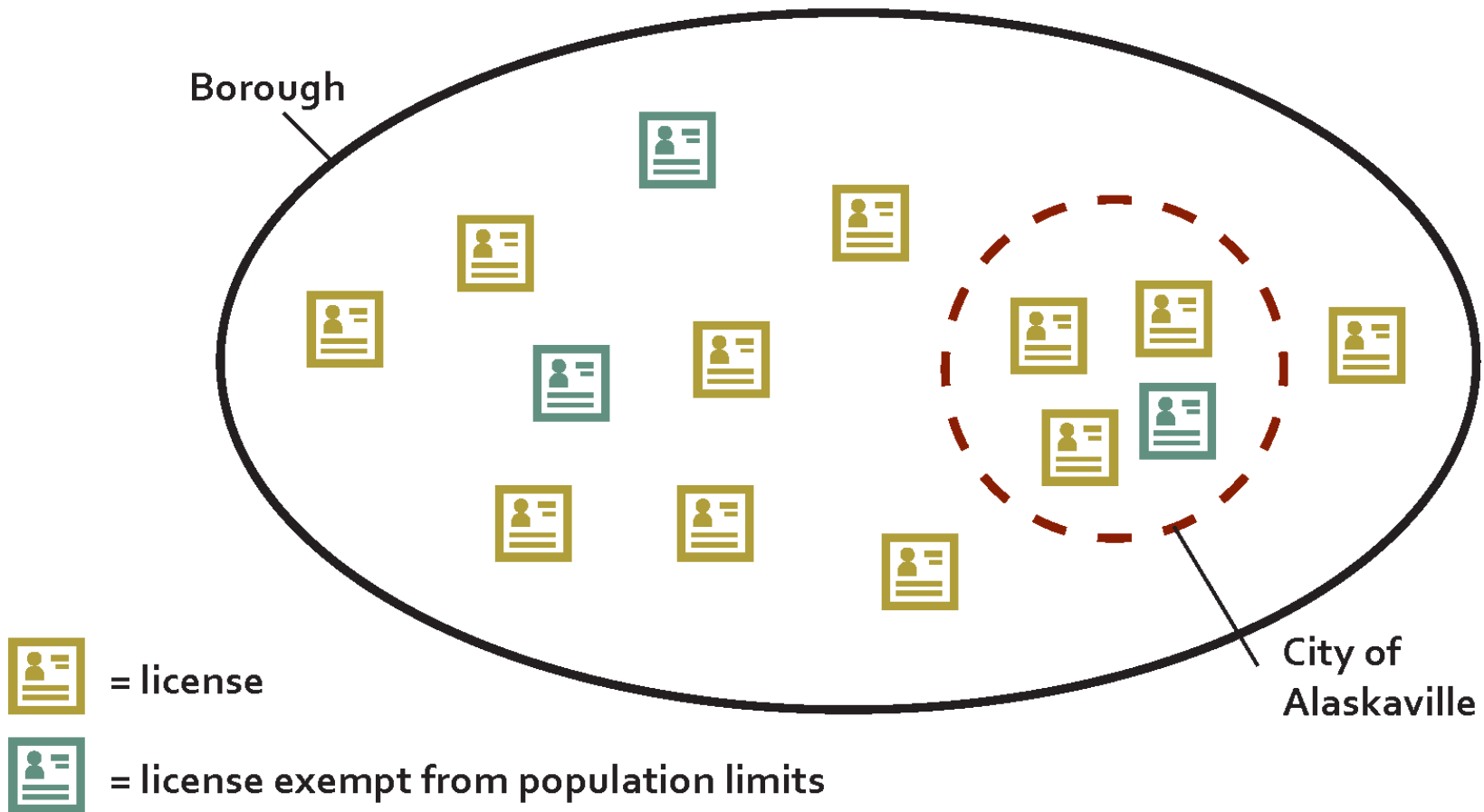
	Net Population (2015)	÷	Number of Retail Licenses	=	Density	+	Exempt Retail Licenses	Resulting Overall Density
Juneau (city + borough)	32,000		64		1 : 500		7	1 : 450
Nome	3,600		17		1 : 210		3	1 : 180
Fairbanks (city)	23,000		78		1 : 290		5	1 : 280

Net Population = total population minus prisoners and out-of-state residents in military or college

Population Limits: *Current Title 4*

(AS 04.11.400)

- Some license types are exempt from population limits: most exempt license types are designed to serve tourists and travelers, such as hotels or outdoor recreation lodges.
- They can be issued if other qualifications are met (ex: minimum number of hotel rooms)



Alcohol Licenses and Permits

- **License:** allows a business to sell, serve, distribute and/or manufacture alcohol for term of the license (2 years).
 - Most licenses can be transferred (sold) to another business, or to another location.
- **Permit:** time-limited alcohol sales or service, by a licensee or non-licensed organization.
 - Typically used for one-day or multi-day special events, such as festivals and fundraisers.

Proposed in HB 357: Endorsements

Add endorsements to existing licenses, giving businesses more flexibility without creating more situation-specific license types.



BASE LICENSE

ENDORSEMENTS

Expanded activities and/or premises to fit business model

Endorsements would allow sampling on premises, multiple bar rooms, deliveries by package stores, etc.

*This concludes summary of Title 4
key concepts.*

Questions?

**Sectional Summary:
AS 04. Chapter 6**

RB-4. ABC Board as Key Partner for Alcohol Education Efforts

- Designate the ABC Board and AMCO as the agency to develop a multi-department, public-private sector education plan about responsible alcohol use and applicable laws.
- Coordinate with Department of Health and Social Services and other agencies tasked with alcohol-related education.

P-2. ABC Board Advisory Opinion on Proposed Legislation

- Enable the ABC Board to issue a formal advisory opinion on any proposed legislation regarding Title 4.
- This would include potential creation of a new license type in statute.

F-1. Adjust License Fees to Reflect Current ABC Budgetary Needs

- Update license fees according to privileges and administrative costs of each, and collect sufficient revenue to cover the ABC Board's required activities:
 - Administration of licenses & permits
 - Education about Title 4 and related regulations
 - Enforcement of Title 4 and related regulations
- ABC Board required to review license fees at least every 10 years.
- See Appendix, Table 2 on page 66 of the report for current license fees and proposed changes.

RB-2. Community Analysis of Written Order Database

- Allow data about direct shipment orders of alcohol in local option communities to be made publicly available, aggregated at the region or community level, for analysis and community planning.
- Written order database can only be accessed by AMCO enforcement staff, other law enforcement, and package store licensees who fill written orders.
- Personal information would be kept confidential.

Tracking Alcohol Orders in Local Option Areas:

Current Title 4

Residents in Local Option communities that allow importation of alcohol may order a limited amount of alcohol each month for personal and non-commercial use.

Monthly Importation Limit



12 gal. Beer
*Or 1 half-barrel
(15.5 gal) keg*



24 L wine
(32 bottles)



10.5 L spirits
(14 bottles)



Alaska customer sends
order to package store



Licensee verifies:

- Is customer 21 or older?
- Has customer met monthly order limit?
- Is new order within monthly limit?



Licensee records
new order in ABC
Board database

Access limited to:

- ABC Board
- Package stores
- Law enforcement



Carrier delivers package



Common carrier receives,
transports and delivers order

HB 357: sections 6-7, 04.06.095; monthly limits defined in AS 04.11.010

Proposed in HB 357: Publish Community-Level Data in Local Option Order Database

- In current Title 4, **all** data in the Local Option order database is private, and deleted after 1 year.
- HB 357 would keep individual order information private, but retain aggregate data for 10 years and allow the ABC Board to publish annual total sales volume by region or community.
- This valuable information would be available to communities and law enforcement to understand the flow of alcohol into Local Option communities via legal sales.

Keep community
level data

**10
years**

Protect individual
order data



ABC Board publishes
annual data reports



*This concludes summary of
Chapter 6 (sections 1-5).*

Questions?

Sectional Summary:

**AS 04. (Proposed) Chapter 9
Licenses, Endorsements + Permits**

Proposed Changes to Licenses, Endorsements and Permits

SB 76, Section 9: *proposed new Chapter 9 in Title 4*

04.09.010: Types of Licenses

04.09.020 - .040: Manufacturing Tier Licenses

04.09.100 - .110: Wholesale Tier Licenses

04.09.200 – .360: Retail Tier Licenses

04.09.400: Definition of Endorsements

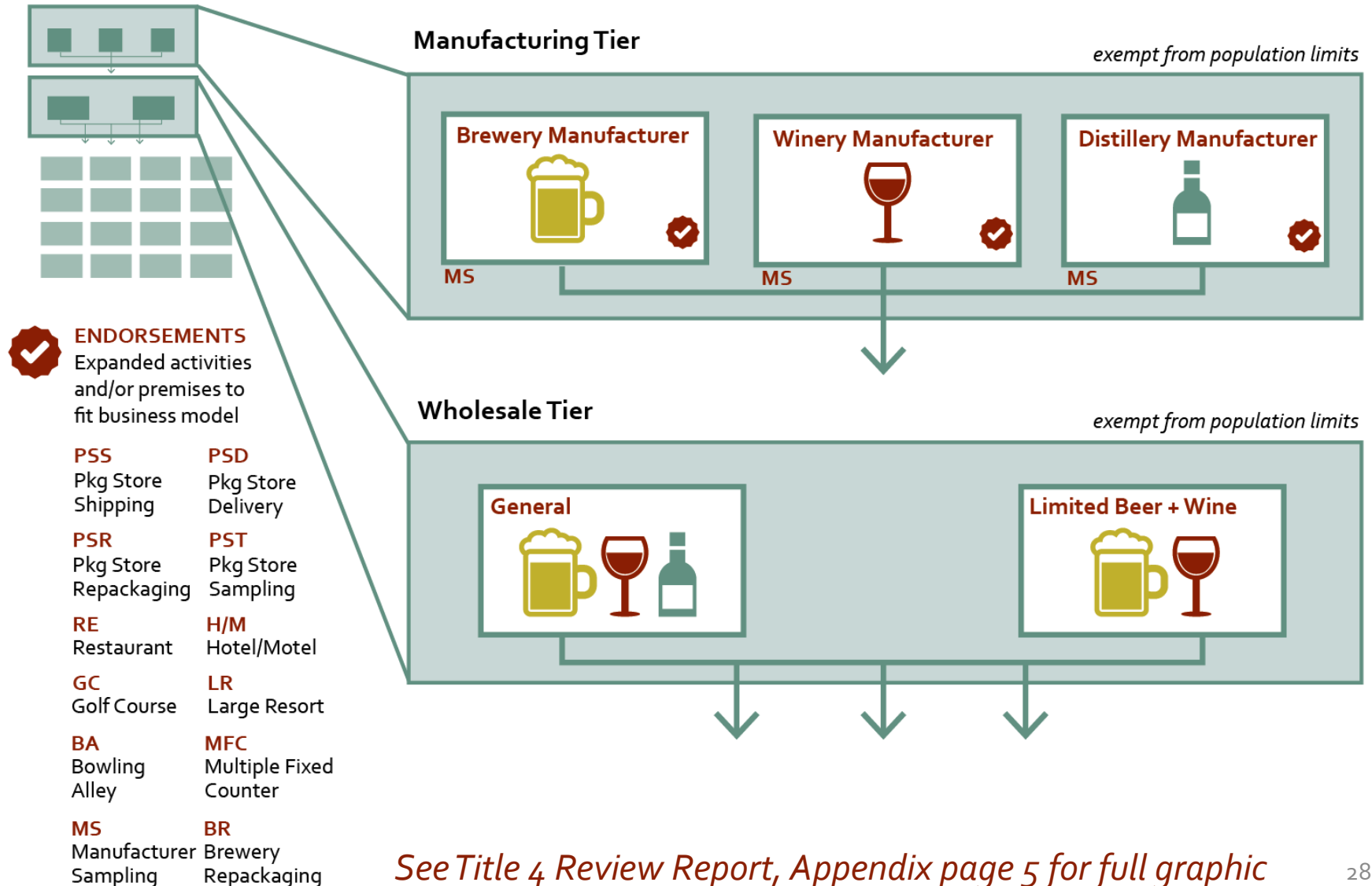
04.09.410 - .520: Types of Endorsements

04.09.600: Definition of Permits

04.09.610 - .690: Types of Permits

Alaska's Liquor License System: Proposed Changes in HB 357

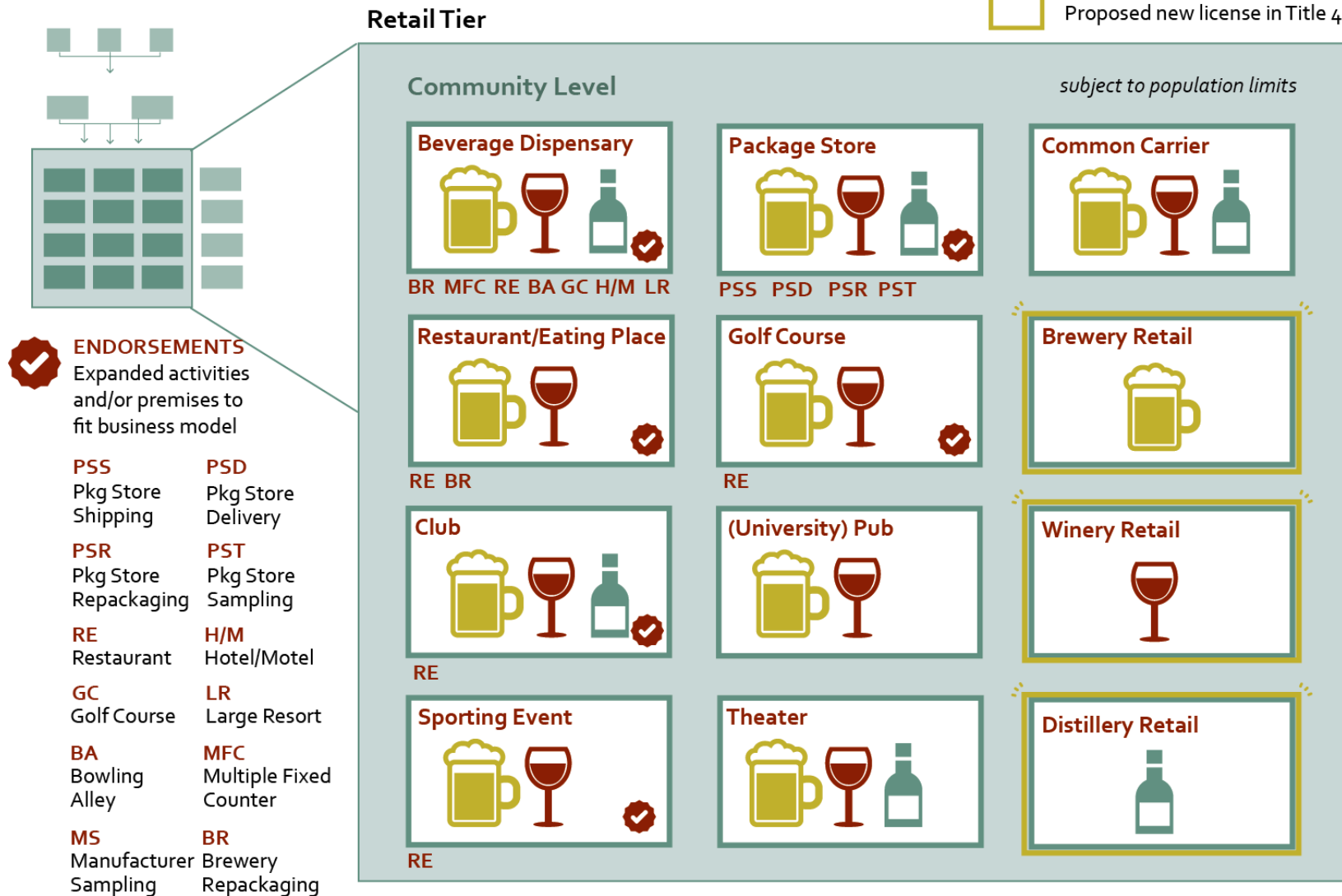
Alaska's license system is based on the 3-tier system of alcohol regulation: separate entities **manufacture**, **distribute**, and **sell** alcohol to the public.



Alaska's Liquor License System: Proposed Changes in HB 357

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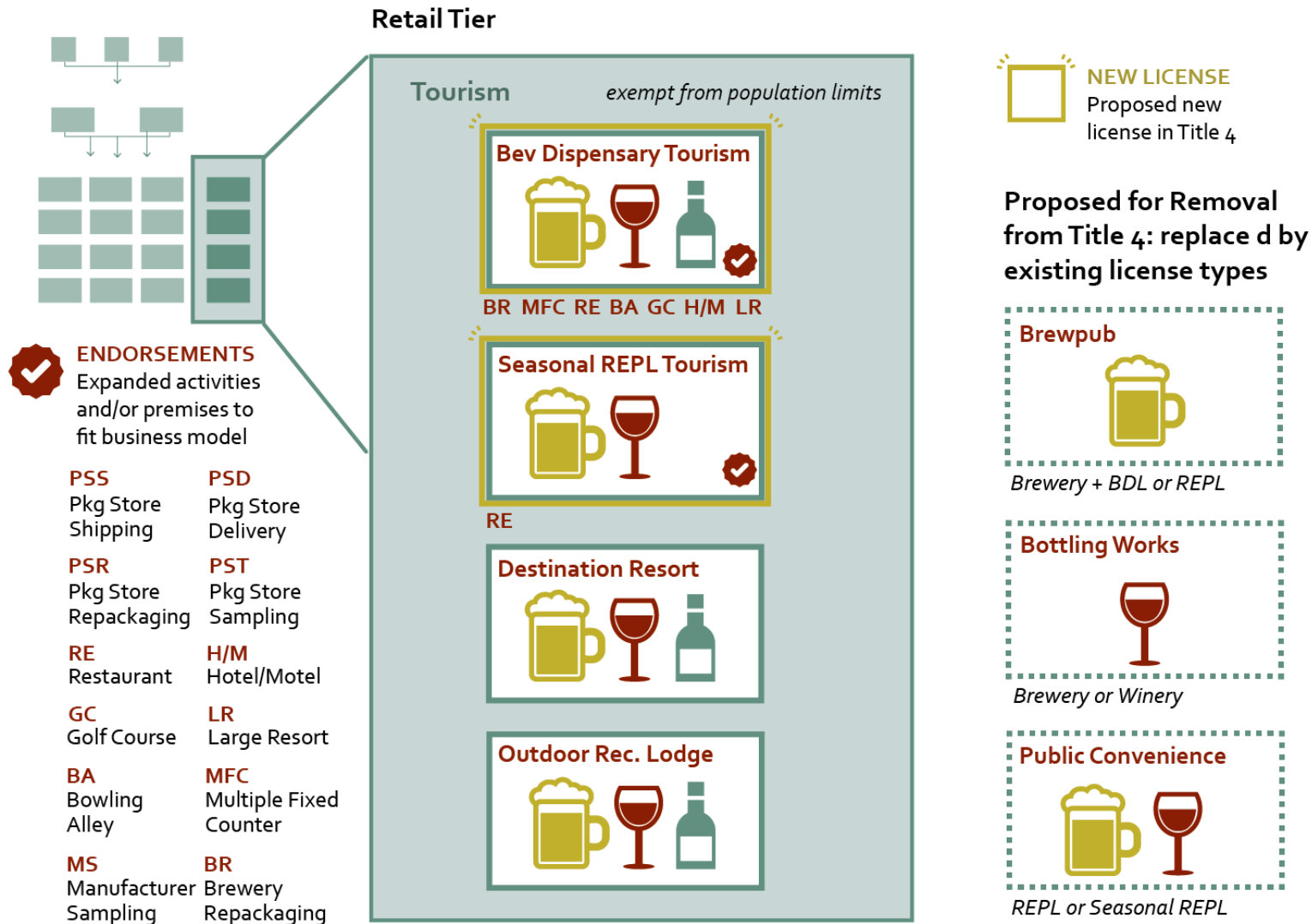
 **NEW LICENSE**
Proposed new license in Title 4



See Title 4 Review Report, Appendix page 5 for full graphic

Alaska's Liquor License System: Proposed Changes in HB 357

Alaska's license system is based on the 3-tier system of alcohol regulation: separate entities **manufacture**, **distribute**, and **sell** alcohol to the public.



See Title 4 Review Report, Appendix page 5 for full graphic

P-1. Population Limits Apply to Retail Licenses Only

- Apply population limitations on the number of licenses only to retail-tier licenses.
- Wholesale licenses, manufacturer licenses who do not directly serve the public, some licenses designed to serve tourists, and Winery Direct Shipment License would be exempt from limits.

M-1. Simplify Manufacturing Licenses

- Keep three manufacturing license types: Brewery (AS 04.11.130), Winery (AS 04.11.140), Distillery (AS 04.11.170).
- Remove Bottling Works (AS 04.11.120) and Brewpub (AS 04.11.135) license types from statute.

Breweries and Brewpubs: *Current Title 4*

(AS 04.11.130 and AS 04.11.135)

Brewery



- No production limit
- No wholesaler or retailer sales limit
- Can operate limited retail space on premises
 - Open until 8pm
 - No bar seating or live entertainment
- Sell 36 oz. per person for onsite consumption
- Sell 5 gallons per person for offsite consumption

Brewpub



- Manufacture up to 15,000 barrels per year
- Sell own beer at beverage dispensary (BDL) premises
- Sell up to 5 gallons per day for offsite consumption
- Sell up to 1,200 barrels to wholesalers per year
- Sell up to 200 barrels to other licensees per year, if located in large community

"Mini" Brewpub



- Manufacture up to 15,000 barrels per year
- Sell own beer at restaurant
- Sell up to 5 gallons per day for offsite consumption
- Only 1 license allowed per owner
- Cannot sell to wholesalers

N-1. Define Qualifications for Alaska Manufacturing Licenses

- Require in Brewery, Winery, and Distillery Manufacturer licenses that at least 80 percent of alcohol products for sale were made on the Alaska licensed premises.
- Based on ABC Board regulation for distilleries.

M-3. Small Manufacturers Allowed to Hold Retail Licenses

- Remove the restriction in Prohibited Financial Interest (AS 04.11.450), which does not allow manufacturers to hold retail licenses, for smaller manufacturers.
- Only manufacturers who produce less than a certain amount of product annually would be eligible.
- Large manufacturers would be limited to production.
- The proposed thresholds exceed the current production of Alaska's largest manufacturing licensees.

Proposed in HB 357: Multiple Retail License Options for Manufacturers








The Brewery license used as an example. The same system applies for wineries and distilleries.

M-2. Manufacturer Retail License + Manufacturer Sampling Endorsement

- Add-on retail licenses specifically for manufacturers to allow limited onsite consumption and offsite sales.
 - Existing licensees converted
 - New retail licenses have 1:9,000 population limit
 - After 8 years, new licensees limited to only 20% of sales volume in retail room, or waiver from Board
- A separate endorsement for free samples.

Proposed in HB 357: Volume Limits for Free Samples from Manufacturers

- Small free samples can be provided to the public, with a Manufacturer Sampling Endorsement
- Ounce limits are defined by product type, and roughly correspond to alcohol by volume (ABV)
- A Retail license is not required for sampling, but is required for any product sales to the public

Brewery	Winery	Distillery
12 oz. Beer 	6 oz. Wine or Mead 	1.5 oz. Spirits 
6 oz. Sake 	12 oz. Cider 	

Proposed in HB 357: Onsite Consumption Limits for Manufacturers, in Standard Product Units

	Brewery Retail	Winery Retail	Distillery Retail
On-site Consumption	<p>36 oz. Beer <i>Equivalent: 3 cans</i></p>  <p>18 oz. Sake</p> 	<p>18 oz. Wine or Mead <i>Equivalent: 3 glasses</i></p>  <p>36 oz. Cider</p> 	<p>3 oz. Spirits <i>Equivalent: 3 pours (1 oz. each)</i></p> 
Off-site Consumption	<p>5.167 Gallons Beer <i>Equivalent of 1/6 barrel "pony keg," or 10 growlers</i></p>  <p>9 Liters Sake</p> 	<p>9 Liters Wine or Mead <i>Equivalent: 12 bottles (1 case)</i></p>  <p>5.167 Gallons Cider</p> 	<p>3.75 Liters Spirits <i>Equivalent: 5 standard bottles</i></p> 

W-1. Adjust Wholesale License Fees and Simplify Supplier Reporting

- Adjust fees for both Wholesale licenses (both defined in AS 04.11.160) to retain current maximum but reduce burden on small operators.
- Remove the requirement to provide a full list of suppliers to the ABC Board.

Proposed Wholesale Fee Changes

General Wholesale: Proposed Fee Scale

Annual Business (\$ sales)	Current	Proposed
up to \$100k	\$0	\$0
>\$100k to \$150k	\$500	\$250
>\$150k to \$200k	\$1,000	\$500
>\$200k to \$250k	\$1,500	\$750
>\$250k to \$300k	\$2,000	\$1,000
>\$300k to \$350k	\$2,500	\$1,250
>\$350k to \$400k	\$3,000	\$1,500
>\$400k to \$500k	\$4,000	\$2,000
>\$500k to \$600k	\$5,000	\$2,500
>\$600k to \$700k	\$6,000	\$3,000
>\$700k to \$800k	\$7,000	\$3,500
>\$800k to \$1M	\$9,000	\$4,500
over \$1M	\$10,000	\$10,000

Limited Wholesale: Proposed Fee Scale

Annual Business (\$ sales)	Current	Proposed
up to \$20k	\$0	\$0
>\$20k to \$50k	\$300	\$150
>\$50k to \$100k	\$1,000	\$500
>\$100k to \$150k	\$1,500	\$750
>\$150k to \$200k	\$2,000	\$1,000
>\$200k to \$400k	\$4,000	\$2,000
>\$400k to \$600k	\$6,000	\$3,000
>\$600k to \$800k	\$8,000	\$4,000
over \$800k	\$10,000	\$10,000

R-1. Multiple Licensed Premises with a Beverage Dispensary License

- Clarify the parameters that would allow and require multiple fixed counters for a Beverage Dispensary license (AS 04.11.090).
- Replace Duplicate licenses with Multiple Fixed Counter endorsements.
- Create a Hotel/Motel endorsement, and a Large Resort endorsement, which allows additional licenses in separate buildings.

Proposed in HB 357: Options for Multiple Beverage Dispensary Locations

- To operate two or more bar rooms in a beverage dispensary (BDL), a multiple fixed counter endorsement would be required. This would replace the duplicate license.
- Larger establishments like hotels and resorts could have additional bar locations in separate buildings on the property.

Multiple Fixed Counter



- One room with fixed bar per additional endorsement
- Must be on same (connected) licensed premises

Hotel or Motel



- Can serve in multiple rooms, including banquet rooms
- Hotel rooms can be stocked with alcohol for purchase
- Must be on same or adjacent property to main premises

Large Resort



- Can serve at multiple buildings within resort property
- Hotel rooms can be stocked with alcohol for purchase
- Property must be 10+ acres, offer outdoor recreation & lodging

N-4. Pub License Alternating Premises

- Allow a university with a Pub license to designate a second licensed premises, operated during mutually exclusive hours.
- Example: existing Pub License at UAF (Fairbanks) could alternate with service of alcohol at the UA Museum of the North during daytime hours

R-2. Rename Recreational Site License to Sporting Event License

- Ensure the definition of “recreation” is consistently applied to Recreational Site license holders.
- Make a sunset provision of 8 years to review and retire licenses that do not meet this definition (AS 04.11.210), if they are not in compliance with the statute.

Proposed Seasonal REPL Tourism

- Seasonal restaurant license
- Available in smaller communities (< 20,000 pop.)
- Same operating requirements and privileges as full-year restaurants (REPL)
- Number of licenses per community determined by formula:

5-year average of annual visitors / months in season = Average monthly visitor population

(Residents + average monthly visitors) / 1,500 = Available Seasonal REP Tourism licenses

- Season defined as up to 6 months per year, in any combination
 - Example: May through September + 1 winter month

Internet Sales in Alaska: Few Rules

- **Alaska is one of the only states with no rules about Internet sales of alcohol.**
- Alaska Package Stores cannot sell alcohol online, only via written order to “known” customers with ID on file.
- Alaska Wineries and Package Stores can ship wine to customers in some circumstances.
- Without state laws restricting online sales, there are currently no limits on purchases of alcohol online from out-of-state sellers.

INT-1. Winery Direct Shipment License

- Create a license available to U.S. wineries to ship orders of wine to Alaska customers.
- Prohibit online sales through this license in Local Option areas.
- Prohibit other online sales of alcohol not under this license or the Package Store Shipping endorsement.
- Modeled on similar licenses or permits for wineries that exist in 44 other states.
- Requires age verification and delivering to the customer in person, including a signature to acknowledge receipt.
- Exempt from Alaska population limits.

Proposed in HB 357: Regulate Internet Alcohol Sales

- Alaska does not limit online sales of alcohol. Orders from out of state businesses are not subject to Alaska's alcohol excise tax, and the state cannot track how much alcohol is ordered each year.
- HB 357 would create a Winery Direct Shipment License and allow online alcohol sales only from U.S. wineries and Alaska package stores.



Alaska customer orders wine online from winery



Wine only: no beer or spirits



Winery Direct Shipment Licensee verifies:

- Is customer 21 or older?
- Is customer in a non-Local Option area?
- Is order within limit for personal use?
6 cases per sale
12 cases per year



Common carrier receives, transports and delivers order



Carrier verifies customer is 21+, delivers package in person

INT-2. Collect Alaska Excise Tax for Internet Sales

- In addition to maintaining current collection of excise tax on sales from in-state wineries, require all out-of-state holders of a Winery Direct Shipment license to pay the same excise tax on Alaska orders.
- Currently, no tax is collected from online sales of alcohol to Alaska customers.
- Legal precedent for collecting state alcohol tax from out-of-state alcohol manufacturers:
Granholm v. Heald (2005)

*This concludes summary of
Chapter 9: License Types.*

Questions?

R-7 Create Endorsements

- Create endorsements as add-ons to licenses in Title 4
- Endorsements must be issued with a license, renewed biannually with the license, and cannot be transferred to a new location
- Endorsements are not population limited
- Convert some existing sections or activities into endorsements; create new endorsements

Proposed Endorsements

- R-7A | Bowling Alley Endorsement
- R-7B | Package Store Shipping Endorsement
- R-7C | Package Store Delivery Endorsement
- R-7D | Package Store Re-Packaging Endorsement
- [M-2] Manufacturer Sampling Endorsement
- [R-1] Multiple Fixed Counter Endorsement
- [R-1] Hotel/Motel Endorsement
- [R-1] Large Resort Endorsement
- [R-3] Package Store Sampling Endorsement
- [M-1] Brewery Repackaging Endorsement

N-3. Expand Package Store Shipping Order Options






- Allow orders under a Package Store Shipping endorsement to be received in formats other than a written order from a known customer.
- This allows online ordering from in-state package stores, including customers in Local Option areas.
- Existing requirements in AS 04.11.150(a) for ID, shipping and delivery still apply. Package stores would still be required to report all orders to Local Option areas in Written Order Database.

R-3. Package Store Onsite Product Sampling Endorsement

- Create a separate endorsement to allow onsite sampling at Package Stores.
- Limits volume per customer per day, hours of sampling, public advertising of sampling.
- Providing free samples of products at package stores is a common practice in several other cities and states.

Proposed in HB 357: Package Store Sample Limits

- In current Title 4, Package Stores cannot allow any consumption on premises
- HB 357 would allow small free samples, with a Package Store Sampling Endorsement
- Ounce limits defined as: "Any combination of products, not to exceed the alcohol equivalent of any single product type"
- Ex: Customer A chooses 12 oz. beer. Customer B chooses 6 oz. cider and 3 oz. wine. Customer C chooses 2 oz. wine, 2 oz. sake, and 4 oz. beer.

12 oz.	6 oz.	1.5 oz.
Beer 	Wine, Mead 	Spirits 
Cider 	Sake 	

R-7 Standardize Permits

- Define all permit types in statute, not just in regulation
- Fee for all permits is \$50 per event day
- Most permits listed are already in statute or regulation
- New permit: Tasting Event Permit, allowing a Package Store or Manufacturer to host an event on premises, in partnership with a BDL

Proposed Permits

- R-7F | Beverage Dispensary Caterer's Permit (AS 04.11.230; 3 AAC 304.685)
- R-7G | Restaurant Caterer's Dining Permit (3 AAC 304.680)
- R-7H | Club Caterer's Permit (3 AAC 304.690)
- R-7I | Nonprofit Event Permit (AS 04.11.240)
- R-7J | Art Exhibit Permit (3 AAC 304.697)
- R-7K | Alcoholic Beverage Auction Permit (3 AAC 304.699)
- R-7L | Inventory Resale Permit (Retail Stock Sale License, AS 04.11.200)
- R-7M | Tasting Event Permit (proposed)

Proposed in HB 357: Tasting Event Permit

- Allows a package store or manufacturer to host a special tasting event on its premises, with onsite consumption of alcohol.
- Licensee can only offer products in their inventory (made on premises or sold in package store) and must partner with a beverage dispensary licensee to apply for a permit.

Hosting license



Partnership with BDL



+



- Event may last up to 4 hours, and end by 9 p.m.
- Food must be served
- Each license can host 6 events per year in the same local as the license is located

HB 357: Section 9, 04.09.670

*This concludes summary of proposed
Chapter 9: Endorsements and Permits.*

Questions?

Sectional Summary:

AS 04. Chapter 11

**Licensing Laws: Applications,
Fees, Population Limits, etc.**

N-6. Improve the License, Endorsement and Permit Application Process

- Several technical changes to statutes for applications for a license, endorsement or permit.
- Examples:
 - Endorsement renewal part of license renewal
 - Required items in application process: labeled premises diagram, e-mail address for licensees
 - Simpler signature requirements for multiple owners and nonprofit organizations
 - Simpler operating requirements (number of hours) for licenses up for renewal

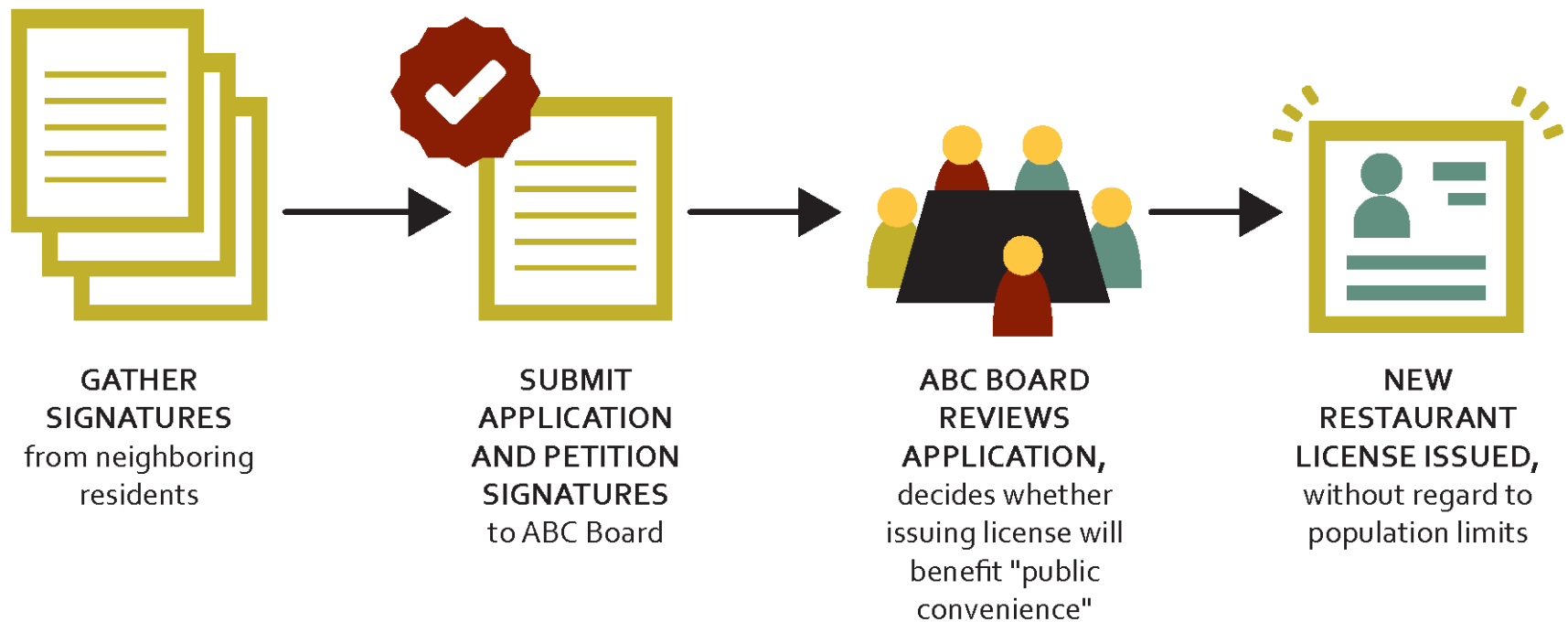
P-3. Retire Public Convenience Process; New Options for REPLs

- Repeal Public Convenience statute.
- Convert all existing Public Convenience license holders to standard, fully transferrable REPLs.
- Create a Seasonal Restaurant Tourism License.
- Allow qualifying municipalities to petition the ABC Board to increase the number of REPLs available in their community.

Public Convenience Petition Process: *Current Title 4*

(AS 04.11.400)

Title 4 allows a license applicant to seek a restaurant license through a local petition process, even if there are no licenses available in the community because the population limit has been reached.



Proposed in HB 357: Convert Public Convenience Licenses and Applications

Existing Public Convenience licenses would be converted to regular Restaurant or Eating Place Licenses (REPLs).

Public Convenience



Not transferrable



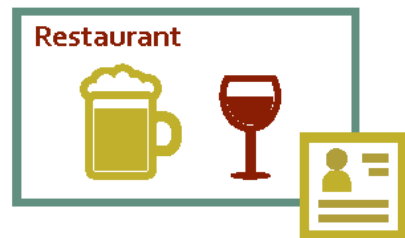
REPL



Transferrable to new owner or location

Applications that have been completed as of the bill's signing date would be converted to applications for regular REPLs, and could be approved by the ABC Board outside the existing population limits.

Public Convenience



Application



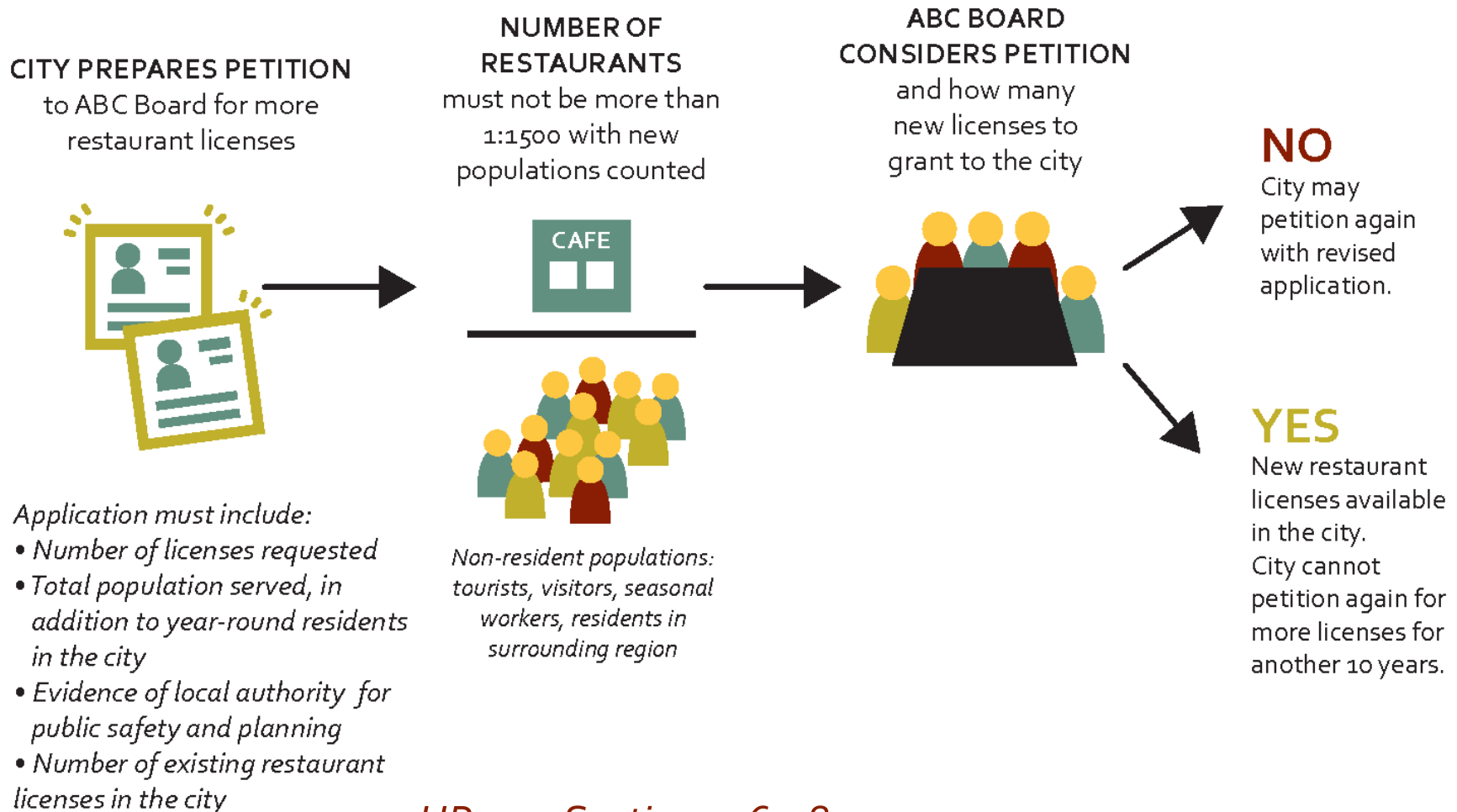
REPL



Can be approved outside of population limits

Proposed in HB 357: Local Government Petition for Additional Restaurant Licenses

(Proposed AS 04.11.405)



HB 357: Sections 46-48, 04.11.405

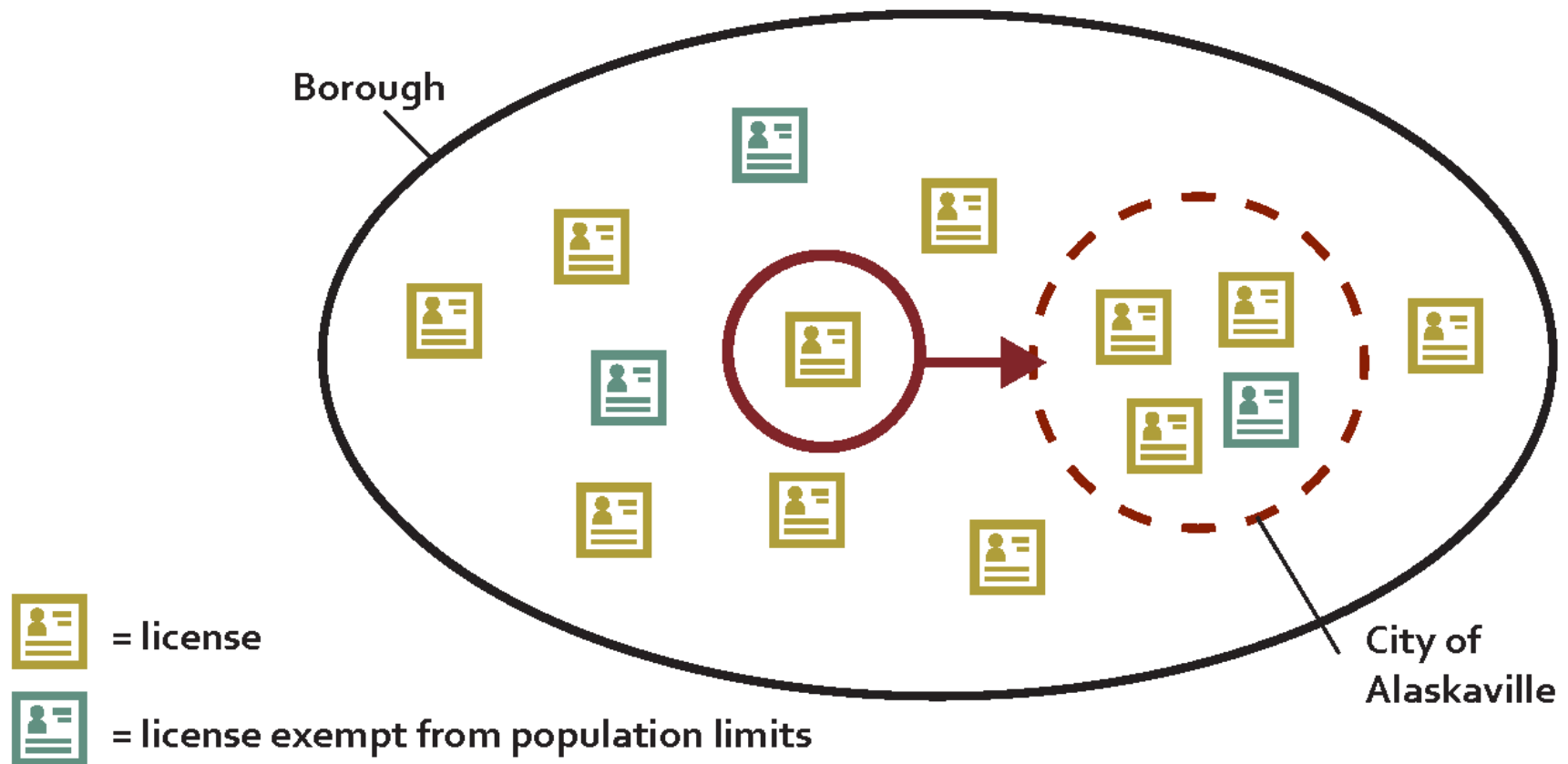
N-7. Allow Relocation of a Package Store from Borough to City

- Amend AS 04.11.400(k) to allow transfers of both BDL and Package Store licenses from a borough to a city within the borough.
- Currently, BDL relocations are allowed in boroughs with at least 60,000 population.
- HB 357 would make relocation available in boroughs with at least 50,000 population and currently-operating licenses that exceed population limits.

Proposed in HB 357: Option to Relocate Some Licenses from a Borough to a City

(AS 04.11.400)

- Current Title 4 allows relocation of a bar (BDL) from a borough to a city within that borough.
- HB 357 proposes also allowing relocation of package stores.



HB 357: Section 45, 04.11.400(k)

Proposed in HB 357: Option to Relocate Some Licenses from a Borough to a City

(AS 04.11.400)

- All eligible boroughs have more licenses issued than population limits allow.
- Only the borough's licenses in excess of population limits would be eligible for relocation into a city.

Licenses Within Population Limit



Not eligible for relocation

Additional Licenses in the Borough



Eligible for relocation

Borough (excluding population of incorporated cities)	Allowed Lic. (1:3000)	Beverage Dispensary (BDL)		Package Store (<i>Proposed</i>)	
		<i>Currently Issued</i>	<i>Qualify for Relocation</i>	<i>Currently Issued</i>	<i>Qualify for Relocation</i>
Fairbanks North Star	21	27	6	26	5
Kenai Peninsula	13	25	12	29	16
Matanuska-Susitna	28	31	3	33	5

RB-1. Strengthen Reporting Requirements for Municipal Enforcement

- Include in statutory requirements (AS 04.11.610) that municipalities submit quarterly reports on Title 4 enforcement and education activities to the ABC Board: violations, educational presentations, other activities related to alcohol control.
- Municipalities with local law enforcement receive a matching allocation (“refund”) of license fees collected within their jurisdiction. Funds intended to be used for Title 4 enforcement.

Proposed in HB 357: Accountability for License Fees Allocated to Local Governments

- Current Title 4 allows for local governments to receive half of the license fees collected in their area, intended for enforcement of Title 4 and related ordinances.
- Reporting on these activities is required, but not well defined in statute. Some jurisdictions report regularly, while others do not.
- HB 357 proposes better reporting and prevention about use of these funds, and requiring reports about education activities as well as enforcement.



HB 357: Section 70, 04.11.610

*This concludes summary of proposed
Chapter 11: Licensing and Related Laws.*

Questions?

Sectional Summary:

AS 04. Chapter 16

Prohibited Acts + Penalties

RB-6. Revise Title 4 Penalties

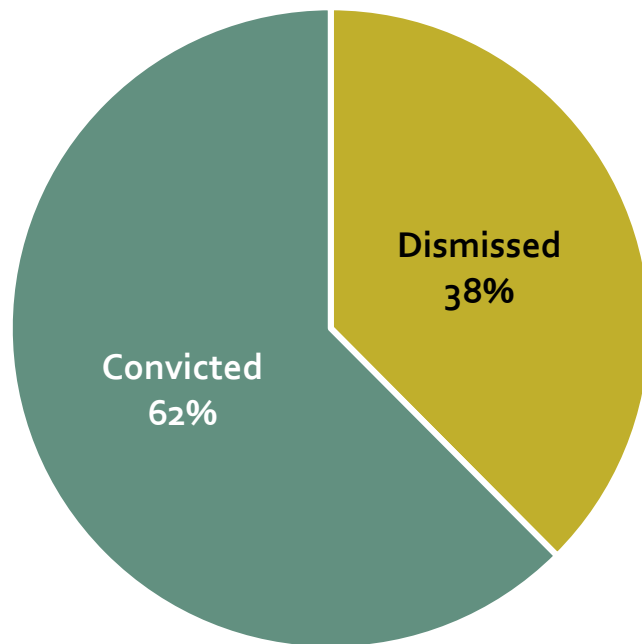
- Review penalties for all Title 4 sections, and revise as needed to make penalties proportionate to the offense, and more consistently enforced.
- Reduce most current Class A Misdemeanors to Minor Offenses.
- Retain existing Misdemeanor and Felony charges for serious offenses, particularly those causing harm to children.
- Ensure that the ABC Board, and licensee if applicable, is informed about Title 4 convictions by requiring the court to send records to AMCO, and AMCO to send to the licensee.
- ABC Board retains its authority to impose conditions or additional penalties, including suspending or revoking license.
- See Appendix, Table 3, pp. 67-72 in Report for table of all current penalties and proposed changes.

HB 357: defined throughout; most prohibited acts defined in chapters 11 + 16

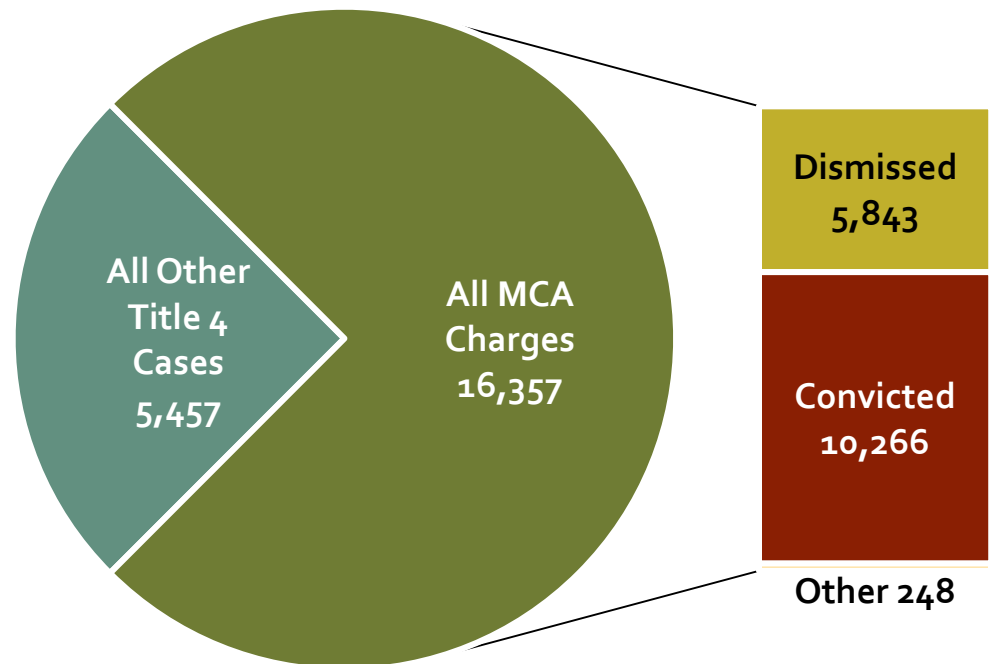
Why reduce penalties in Title 4?

Prosecutors were dismissing MCA charges; penalties were seen as too high for the offense, or not worth the resources. Much fewer Minor on Premises cases; 47% were dismissed.

All Title 4 Charges, 2009-2013



Minor Consuming Alcohol, 2009-2013



Proposed in HB 357: Revise Title 4 Penalties

- In current law, almost all violations of Title 4 are Class A misdemeanors.
- When penalties are set high across the board and perceived to be too strict for most offenses, law enforcement is less likely to issue citations and courts are less likely to pursue those cases.
- In HB 357, many penalties would become minor offenses. Serious violations, such as selling alcohol without a license, allowing gambling on the premises, or perjury on a license application would remain misdemeanors or felonies.

Minor Offense (Violation)

- Up to \$500 fine (most are \$250)
- Community work service
- Does not require court appearance



Example: Failure to post required warning signs, noncompliance with a permit requirement

Class A Misdemeanor

- Up to \$10,000 fine
- Up to 1 year in prison
- 10 years probation
- Requires court appearance



Example: Selling alcohol without a license, knowingly allowing underage sales by employees

Class C Felony

- Up to \$50,000 fine
- Up to 5 years in prison
- 10 years probation
- Requires court appearance



Example: Perjury on state license application (Class B), importing large amount of alcohol into local option area

HB 357: defined throughout; most prohibited acts defined in chapters 11 + 16

N-8. Allow Business Activities on Licensed Premises During Off Hours

- Retain required closing hours (5:00 to 8:00 a.m.) for service and sales of alcohol to consumers, but allow other non-serving business activities on the premises.
- Local communities are already allowed to set stricter hours by ordinance.

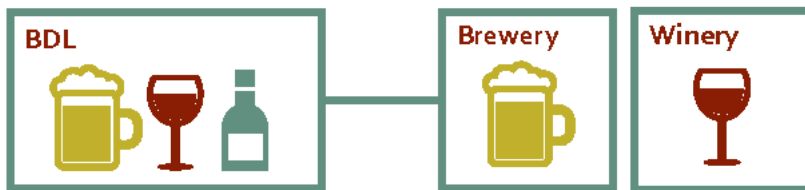
W-2. Align State Statute with Federal Law Regarding Trade Practices

- Add provisions in Title 4 to match current federal law regarding trade practices and agreements between retailers and wholesalers or manufacturers.
- Alaska is the only state without any laws regarding trade practices, and federal enforcement of existing laws is limited.

Proposed in HB 357: Regulate Trade Practices

Some activities, known as trade practices, are illegal in federal law: practices of alcohol manufacturers and wholesalers to exert power over retailers' buying decisions, or stopping them from buying competitors' products.

Tied house



Partial ownership of retail license by a manufacturer, to control what products are sold or exclude competitors. Does not apply to 100% manufacturer-owned licenses.

Exclusive outlet



Agreement between supplier and retailer to exclude other retailers or suppliers.

Commercial bribery



Supplier pays bonus or provides merchandise in exchange for exclusive arrangement or agreement not to purchase other products.

Consignment sales



Supplier and retailer make deals to take back unsold products or other

UAD-1. Employee Penalty for Selling Alcohol to a Minor

- Reduce the penalty for a licensee, agent or employee selling alcohol to a minor (AS 04.16.052) from a Class A Misdemeanor to a Minor Offense with \$500 fine.

UAD-2. Licensee Liability for Employee Sales to Minors

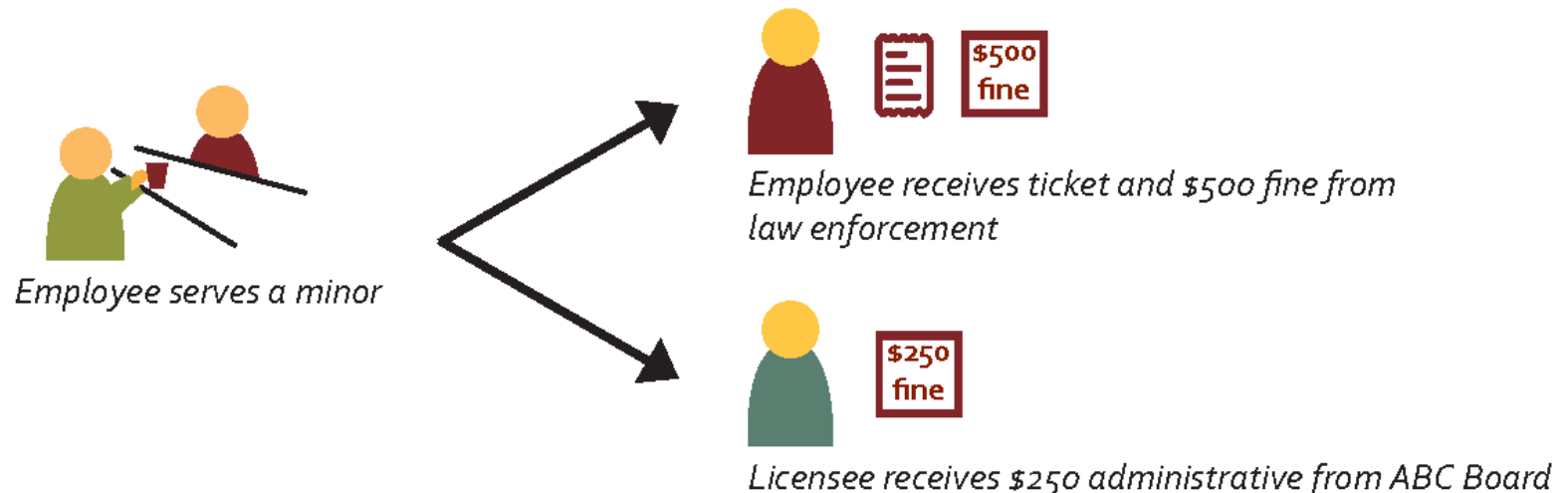
N-9. Licensee Liability for Overservice by Employees

- Increase the consistency and certainty of sanctions to licensees for violations of AS 04.16.030 and -052.
- A licensee whose employee incurs either violation receives an administrative penalty of \$250.

Proposed in HB 357: Licensee Penalties for Overserving an Adult or Serving a Minor

(AS 04.16.030 and AS 04.16.052)

- In current Title 4, a licensee or employee who knowingly overserves an intoxicated adult or who serves alcohol to a minor is guilty of a Class A Misdemeanor.
- HB 357 would change the penalty for both statutes to a Minor Offense, with a \$500 fine.
- In addition to the penalty to the person who commits the violation, the owner of the license would receive an administrative (non-criminal) penalty of \$250. This alerts the owner right away, and encourages licensees to make sure employees are properly trained.



HB 357: section 81, 04.16.030; section 94, 04.16.052; section 117, 04.16.180

N-10. Allow Minors on Some Licensed Premises for Employment or Travel

- Allow limited employment of minors by Wholesalers, Common Carriers, and Outdoor Recreation Lodges.
- Consistent with existing rules for Restaurants.
- Clarify that minors are allowed at certain licensed businesses, in some circumstances: ex. restaurants, common carriers.

INT-3. Board Approval of Common Carriers for Alcohol Delivery

- Require all common carriers who transport deliver alcohol directly to consumers in Alaska to be approved by the ABC Board.
- Carriers must maintain policies for age verification, safe handling of alcohol, and in-person delivery to an adult customer.
- Does not apply to shipments of alcohol from business to business, only customer orders.

Proposed in HB 357: Regulate Internet Alcohol Sales

- Common carriers would need to be approved by the ABC board to transport and deliver alcohol to consumers throughout the state.
- Carriers must demonstrate that they have policies and train employees to properly handle shipments of alcohol.



Carrier maintains policies:

- Safe alcohol handling
- Delivery to adult, age 21+
- Delivery in-person only

ABC board reviews
and approves carrier
for alcohol transport
and delivery

ABC board
publishes list of
approved carriers

*This concludes summary of proposed
Chapter 16: Prohibited Acts and Penalties.*

Questions?

Sectional Summary:

AS 04. Chapter 21

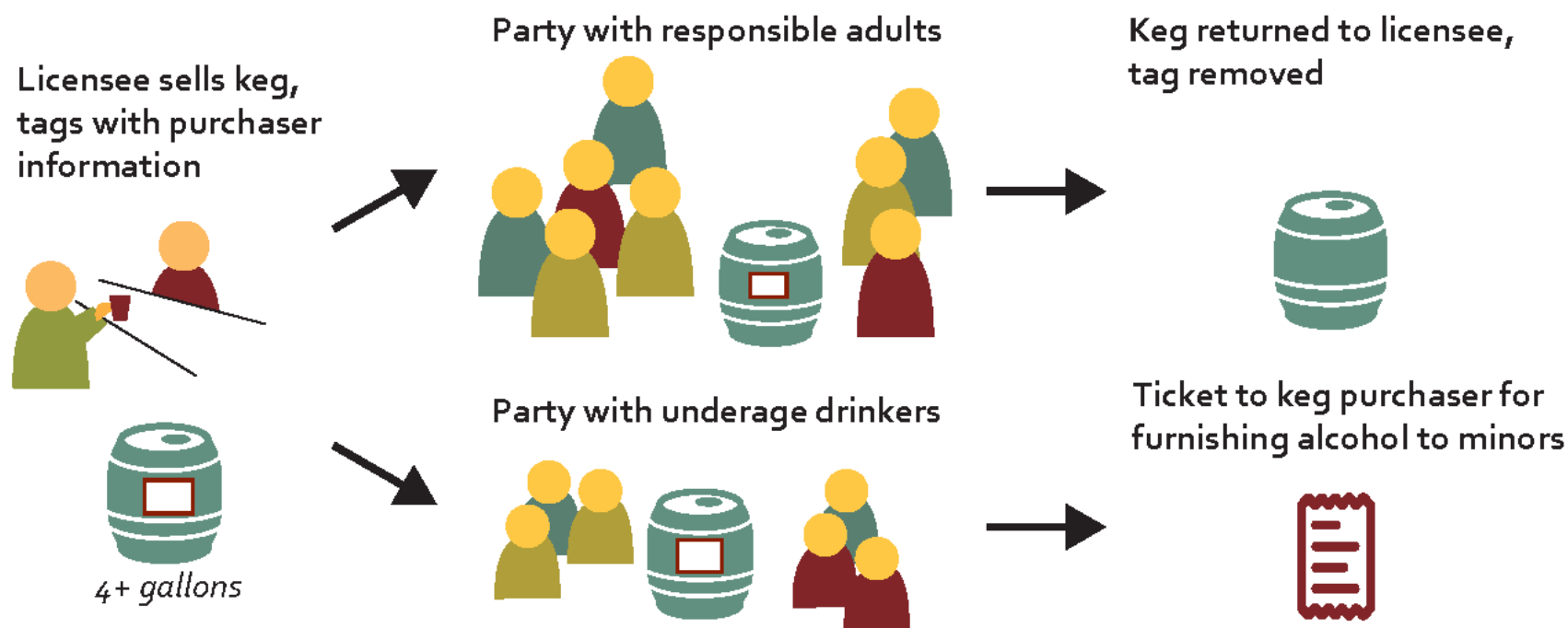
Definitions + Miscellaneous

UAD-3. Statewide Keg Registration

- Require all beer kegs purchased in the state to be registered (and tagged with customer's name).
- Law enforcement who confiscate a keg at an underage party can determine who legally purchased the keg and hold adults responsible for furnishing alcohol to minors.
- Modeled on existing laws in Anchorage and Juneau
- Applies to kegs (containers) 4 gal. or larger.
- Licensee keeps customer information about keg purchase on file for a period of time.
- Purchaser can be fined for removing tag on a full keg.

Proposed in HB 357: Keg Registration

- Reduces adults' incentive to legally purchase alcohol and supply an underage drinking party.
- Kegs tagged with the purchaser's contact information can be tracked if confiscated at an underage party or other situation where minors are given access to alcohol.
- A person, not a licensee, possessing an untagged keg containing alcohol could be fined.
- Modeled on existing Anchorage and Juneau ordinances.



Require Server Education Card for All Retail Sales & Service of Alcohol

- Server education includes training in verifying age and identification, responsible alcohol service, overserving, and applicable penalties for violations.
- Some, but not all, license types are required that servers (employees) have alcohol server education cards. Also not required for servers at permitted events.
- Proposed in SB76: Require all license types who serve the public, including sampling activities, to maintain server education cards.
- Require servers for permitted events to be certified prior to the actual event.

*This concludes summary of proposed
Chapter 21: Definitions + Miscellaneous.*

Questions?

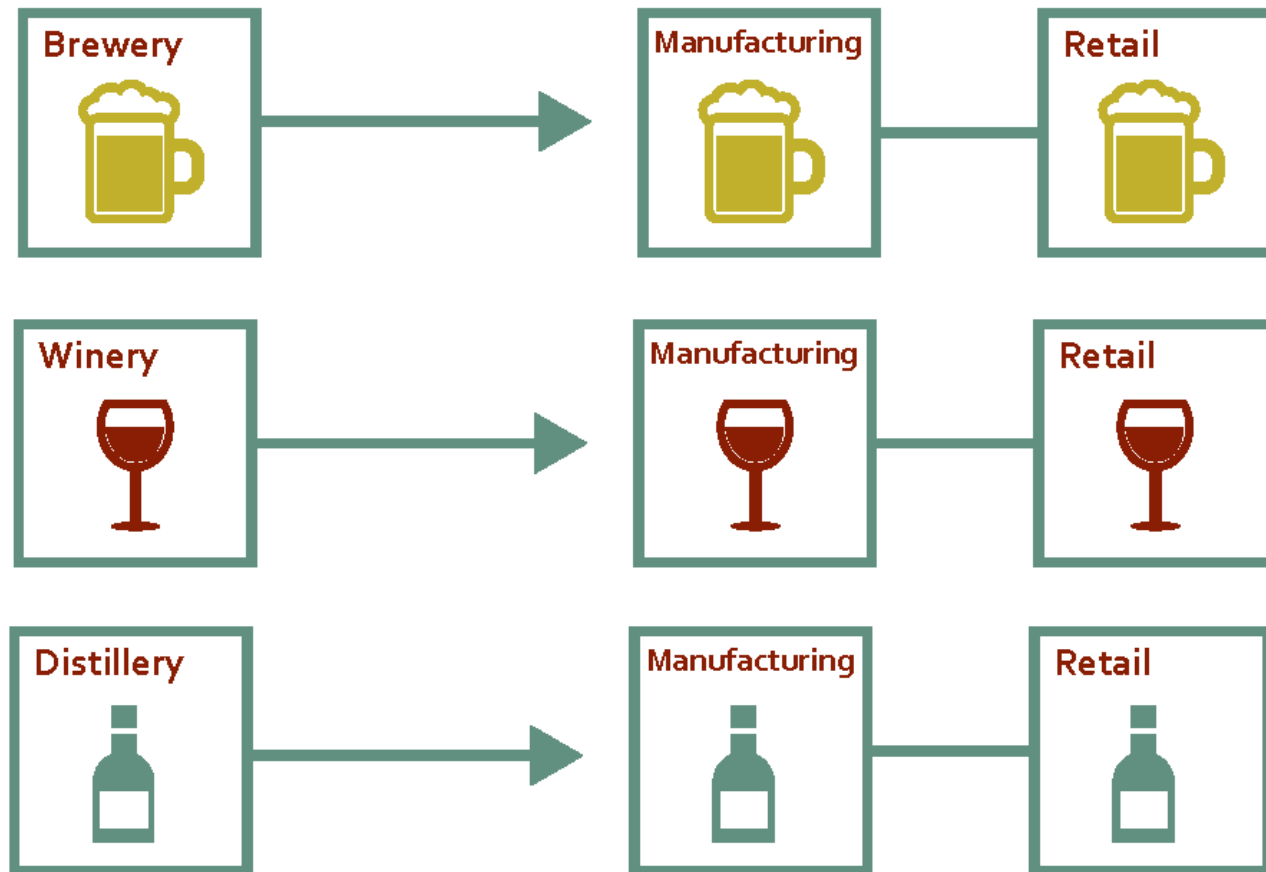
**Sectional Summary:
Changes to Other Titles
Transition + Uncodified Law**

N-12. Transition Provisions for Existing Licensees

- Define process for current licensees of certain types to be converted to equivalent license(s) in the new system.
- Also define process of converting applications for repealed or renumbered license types.
- Included in Transition sections of HB 357.
- See table on page 61 of Report for details.

Proposed in HB 357: Convert Existing Licenses

Existing manufacturer licenses will become two licenses: one for production, one for retail sales.



Proposed in HB 357: Convert Existing Licenses

Bars (BDLs) with Duplicate Licenses would have Multiple Fixed Counter Endorsements.

**Beverage Dispensary
(BDL) with 3
Duplicate Licenses**



**BDL with 3 Multiple Fixed
Counter Endorsements**



Package Stores that fill growlers, ship written orders and other activities would have the corresponding new endorsements.

Package Store

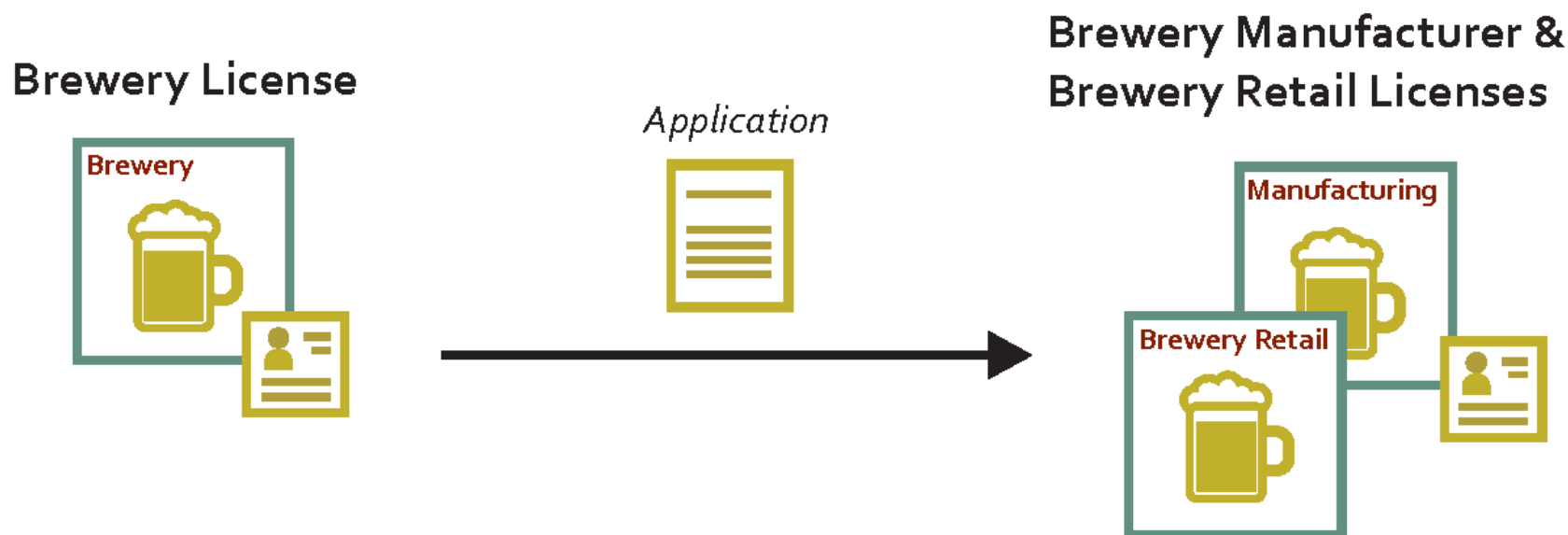


**Package Store with
Endorsements**



Proposed in HB 357: Convert Existing Applications

Applications that have been completed as of January 1, 2020 would be converted to the equivalent application(s) in the new licensing system.



The Brewery license used as an example. The same system applies for wineries and distilleries.

Effective Dates

- Some sections of the bill go into effect immediately:
 - Replacement of public convenience licenses
 - Seasonal REPL Tourism
 - Cities' petition process for more REPL licenses
 - Repeal of public convenience statute
 - Certain changes regarding renewal of existing licenses
- The rest of the bill goes into effect January 1, 2020, and allows the ABC Board to write regulations in anticipation of the changes.

For more information

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Office of Rep. Kopp

(907) 465-4993

erick.corderogiorgana@akleg.gov

About the Title 4 Review Process:

Alcohol and Marijuana Control Office

<https://www.commerce.alaska.gov/web/amco/>

(907) 269-0350

amco.regs@alaska.gov