



April 15, 2019

The Honorable Lora Reinbold, Chair
Senate Labor and Commerce Committee
Alaska State House
Juneau, Alaska 99801

Dear Chair Reinbold:

In last week's hearing on SB52, various members of your committee had questions regarding compliance checks, licensing fees, and the relationship between AMCO's budget and enforcement responsibilities.

- **Compliance Checks**

Compliance checks are performed on licenses which sell alcohol to consumers for consumption either on site or off site. Essentially this includes all license types except for wholesale licenses. Here is the number of each license type that could get a compliance check:

License Type	# of licenses (as of March 2019)
Beverage dispensary, including tourism and duplicates	652
Brewery	39
Brewpub	12
Club	77
Destination resort	2
Distillery	11
Golf course	8
Outdoor recreation lodge	34
Package store	385
Pub	1
Recreational site	20
Restaurant or eating place, including public convenience	374
Theater	1
Winery	8
Total	1,624

- **License Fees (Amendment U.14)**

The committee asked how much revenue would be lost with the passage of Amendment U.14, which proposes to reduce the license fees for brewery manufacturer licenses, winery manufacturer licenses, distillery manufacturer licenses, brewery retail licenses, winery retail licenses, and distillery retail licenses. The reduction of the biennial license fee from \$1,250 to \$1,000 for each of these license types would result in a reduction of \$16,000 per year (based on current license numbers; number may be different depending on the number of applicable licenses at the time).

- **AMCO's Budget and Enforcement Responsibilities**

The committee asked how a reduction in revenue would affect public safety and AMCO's enforcement responsibilities.

AS 04.11.590, Disposition of money, states:

- (a) Money collected from licenses and civil fines under this title shall be transferred by the board to the Department of Commerce, Community, and Economic Development and deposited in the general fund.
- (b) A fee prescribed by the board in addition to fees authorized under this title shall be transferred to the Department of Commerce, Community, and Economic Development and deposited in the general fund.
- (c) The annual estimated balance in the account maintained by the commissioner of administration under AS 37.05.142 may be used by the legislature to make appropriations to the Department of Commerce, Community, and Economic Development to carry out the purposes of AS 04.06.

Essentially, the legislature appropriates to AMCO a certain amount of the program receipts collected by AMCO in order to fund the agency.

The following table shows the total amount of alcohol revenue collected from fees (not fines) for the past three fiscal years, the amount appropriated by the legislature to AMCO for the alcohol program, the actual expenditures for the alcohol program by AMCO, and the amount of alcohol revenue that has lapsed to the general fund.

	FY16	FY17	FY18	FY19
Total alcohol revenue collected	\$1,996,700	\$1,898,600	\$2,098,400	TBD
Expenditure authority appropriated to AMCO	\$1,747,200	\$1,917,500	\$1,975,500	\$1,986,900
Actual AMCO expenditures	\$1,711,000	\$1,624,000	\$1,473,800	TBD
Lapse to General Fund	\$285,700	\$274,600	\$625,300	TBD

The number of enforcement positions at the agency is proposed in each Governor's Budget and ultimately determined by the legislature through the budget process.

A reduction in the fees that are proposed in SB52 may not have an immediate impact on public safety, depending on the size of the legislative appropriation to AMCO, but it will certainly affect the future potential for enforcement.

In addition, I would like to take this opportunity to clarify what may have been a misunderstanding of Section 44, in relation to Amendment U.2. The section (prior to being amended) authorizes the director to place conditions on permits. It does not authorize the director to place conditions on licenses. Permit types are listed in Article 6 of Chapter 09, which starts on page 43 of the bill.

Permits are issued for specific events; applications are received several days before the event and are approved by the director. The ability of the director to address a public health or safety-related concern through a condition placed on a permit could be the difference between approving and denying the permit.

I hope the information provided in this letter answers the committee's questions. I would be happy to answer follow-up or additional questions.

Sincerely,



Erika McConnell
Director

Cc: Julie Anderson, Commissioner, DCCED
Suzanne Cunningham, Legislative Director, Governor's Office
Senator Peter Micciche