

Summary of Proposed Changes and Sectional Analysis of Senate Bill 52 for Purposes of Passing a Consensus Title 04 Bill

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for Consideration by the 31st Alaska Legislature

Background:

A preliminary meeting between Sarah Oates with Alaska CHARR and Grant Yutzenka with Resolution Brewing and the Brewers' Guild of Alaska was held on December 11, 2018, with the objective of determining whether there was any possibility of coming to a compromise between retailers and manufacturers regarding current and proposed privileges and restrictions of manufacturing licenses. It quickly became apparent that the two sectors were at an impasse on these particular issues, but that both groups were interested in proceeding with legislation that included many other components of the draft Title 04 rewrite that has been ongoing for seven years.

A follow-up meeting was held on January 7, 2019, during which the parties went through the entire working draft of the bill – the version that passed the Senate last session, which does not include the “80/20 provision” – and determined which sections needed to be modified or eliminated in order for both groups to potentially reach consensus.

Parties mutually agree and understand that the contentious issues that are proposed to be removed from this bill, as specified in this document, will likely be pursued in separate legislation by both groups.

Summary of Proposed Changes to Senate Bill 52:

Tasting Event Permit:

There was opposition to removing the requirement found in former Title 04 bills (SB 76 in the 30th Legislative Session) for a package store to partner with a beverage dispensary licensee to apply for this permit. The current bill does not include such a partnership, which could create a loophole and take away existing revenues from other license types that permit on-premises consumption.

Manufacturing Licenses and Endorsements

All sections pertaining to manufacturing licenses and endorsements were stricken, with the following exceptions:

- revised penalty provisions would be added;
- license fees would increase to \$2,500 per license type;
- addition of the requirement that at least 80% of each final alcohol product offered for sale must be manufactured on the licensed premises;
- large manufacturers (those substantially larger than any currently licensed in the state) would only be able to sell products to licensed wholesalers, or to entities in other states/countries; and
- the aforementioned large manufacturers would be prohibited from obtaining any other license type in Alaska.

Gaming Permits

The language in the current draft would disqualify existing vendors from having gaming permits placed at their establishments. A possible solution would be to clarify that vendor locations cannot include areas that are endorsed/permitted for the purpose of allowing persons under 21 onto licensed areas.

Sectional Breakdown of Proposed Changes to Senate Bill 52:

Note: With the proposed changes, there will need to be some renumbering in the existing draft, to include references and section numbers within sections. The drafter tried to make this note in as many sections as possible in this document, with the disclaimer that the notes might not be exhaustive.

Sections 1-9:

No changes, except as noted above, and to renumber the reference within Sec. 6.

Section 10:

There is interest in creating a new chapter specifically for license, endorsement, and permit types – apart from the procedural sections of AS 04.11. However, the manufacturing licenses would have to remain in Chapter 11, as moving them would result in a de facto lack of consensus – even if all existing language for manufacturing licenses is duplicated, operations under the existing statutes are the basis of the tension between licensing tiers. If the manufacturing sections could be renumbered without having to include the details of the section, we would not have opposition to them being moved into a new Chapter 9.

Notes for proposed changes of subsections are as follows:

- *Sec. 04.09.020-040 Brewery/Winery/Distillery manufacturer license*
 - strike these sections entirely;
 - add (c) as a new subsection to existing AS 04.11.130, 135, 140, and 170 (remove “manufacture” from name of license type);
 - repeal and reenact AS 04.11.130(d), 135(c), 140(d), and 170(c) to increase biennial manufacturing fee to \$2,500 for each type (*Note: repealing and reenacting appears to be the only way to accomplish this without having the other subsections of each statute included in the bill*);
- *Sec. 04.09.050 Authorized sales – 04.09.090 Definition* – renumber in Chapter 11 or consider adding to existing statutes as new subsections; renumber references within language, and remove “manufacture” from names of license types;
- *Sec. 04.09.310-330 Brewery/Winery/Distillery retail licenses*
 - strike these sections entirely;
 - add (g) and (h) as new subsections to existing AS 04.11.130, 135, 140, and 170 (remove “retail” from name of license type);
- *Sec. 04.09.360 Winery direct shipment license* – update reference numbers and names of license types within;
- *Sec. 04.09.410 Manufacturer sampling endorsement* – strike entirely;
- *Sec. 04.09.520 Brewery repackaging endorsement* – strike entirely; and
- *Sec. 04.09.670 Tasting event permit* – amend language to that in Attachment A.

Sections 11-39:

No changes.

Section 40:

Do not strike (10).

Sections 41-45:

No changes.

Section 46:

Strike (a)(1)(B), (a)(2)(B), and (a)(3)(B), and reletter accordingly.

Section 47:

Strike (i)(1)-(3), renumber accordingly.

Sections 48-54:

No changes.

Section 55:

Strike entirely.

Sections 56-81:

No changes, except to renumber the references within Sec. 56, and to remove “manufacturer” from names of license types in Secs. 64-65.

Section 82:

Strike “manufacturer sampling endorsement under AS 04.09.410 or a” from (a)(1).

Sections 83-135:

No changes, except to renumber the references within Secs. 84, 87, 120, 126-129, 131, and 132.

Section 136:

Strike (f)(1)-(3) and renumber accordingly.

Sections 137-138:

No changes.

Section 139:

Rename names of license types and remove references to endorsements for (a)(1)-(3), strike (a)(15)-(17), and renumber references within.

Sections 140-144:

No changes.

Section 145:

Needs revision – this would disqualify existing vendors who currently hold restaurant designation permits to allow patrons 21+ to be on premises early for purposes of dining (and/or watching sports) from holding gaming permits. Possibly clarify that it cannot include areas that are endorsed for the purpose of allowing persons under 21 onto the licensed areas as described in (a)(1) of the endorsement section.

Section 146:

Add references to include manufacturing license types in Chapter 11.

Section 147:

No changes.

Sections 148-150:

Clarify that the references to AS 04.09.340 are to beverage dispensary tourism licenses.

Section 151:

Reference both AS 04.09 and AS 04.11.

Sections 152-153:

No changes, except to renumber the references in Sec. 153.

Section 154:

Reference both AS 04.09 and AS 04.11.

Section 155:

No changes.

Sections 156-157:

Reference both AS 04.09 and AS 04.11.

Section 158:

No changes.

Section 159:

Strike AS 04.11.120-140, and 04.11.170.

Sections 160-164:

No changes.

Section 165:

Strike (b)(1)-(2) and (c)(1)-(6), and renumber accordingly.

Sections 166-170:

No changes.