

**ALASKA STATE LEGISLATURE**  
**HOUSE LABOR AND COMMERCE STANDING COMMITTEE**

April 10, 2001

3:34 p.m.

**MEMBERS PRESENT**

Representative Lisa Murkowski, Chair  
Representative Andrew Halcro, Vice Chair  
Representative Kevin Meyer  
Representative Pete Kott  
Representative Norman Rokeberg  
Representative Harry Crawford  
Representative Joe Hayes

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

HOUSE BILL NO. 214

"An Act relating to a civil action against a person under 21 years of age who enters premises where alcohol is sold or consumed."

- MOVED CSHB 214(L&C) OUT OF COMMITTEE

HOUSE BILL NO. 225

"An Act relating to municipal taxation of alcoholic beverages and increasing the alcoholic beverage tax rates."

- HEARD AND HELD

**PREVIOUS ACTION**

BILL: HB 214

SHORT TITLE: CIVIL ACTION AGAINST MINORS IN BARS

SPONSOR(S): REPRESENTATIVE(S) MEYER

Jrn-Date	Jrn-Page		Action
03/26/01	0729	(H)	READ THE FIRST TIME - REFERRALS
03/26/01	0729	(H)	L&C, JUD
04/03/01	0830	(H)	COSPONSOR(S): DYSON
04/10/01		(H)	L&C AT 3:00 PM CAPITOL 120

BILL: HB 225

SHORT TITLE:ALCOHOLIC BEVERAGE TAX

SPONSOR(S): REPRESENTATIVE(S)MURKOWSKI

Jrn-Date	Jrn-Page		Action
03/30/01	0789	(H)	READ THE FIRST TIME - REFERRALS
03/30/01	0789	(H)	L&C, FIN
03/30/01	0789	(H)	REFERRED TO LABOR & COMMERCE
04/03/01	0830	(H)	COSPONSOR(S): HUDSON
04/09/01		(H)	L&C AT 3:15 PM CAPITOL 17
04/09/01		(H)	Heard & Held MINUTE(L&C)
04/10/01		(H)	L&C AT 3:00 PM CAPITOL 120

**WITNESS REGISTER**

MIKE GORDON, Owner

Chilkoot Charlie's

2207 Sorbus Way

Anchorage, Alaska 99508

POSITION STATEMENT: Testified on HB 214.

O.C. MADDEN, Personnel Loss & Prevention Manager

Brown Jug, Inc.

4140 Old Steese Highway

Anchorage, Alaska 99503

POSITION STATEMENT: Testified on HB 214.

CINDY CASHEN

Mothers Against Drunk Drivers

211 4th Street

Juneau, Alaska 99801

POSITION STATEMENT: Testified in support of HB 214.

KACE McDOWELL, Executive Director

Anchorage Cabaret Hotel Restaurant & Retailer Association

(No address provided)

POSITION STATEMENT: Testified to CHARR's support of HB 214;  
testified on HB 225.

JERI LANIER

Family Centered Services of Alaska

620 5th Avenue

Fairbanks, Alaska 99701

POSITION STATEMENT: Testified in support of HB 225.

ANDY HARRINGTON  
Arctic Alliance  
4624 Stanford Drive  
Fairbanks, Alaska 99709  
POSITION STATEMENT: Testified in support of HB 225.

GLEN BRADY, President  
Silver Gulch Brewing and Bottling Company  
PO Box 82125  
Fairbanks, Alaska 99708  
POSITION STATEMENT: Testified in opposition to HB 225.

NICHOLAS STONE, Director  
"Inroads to Healing" Program  
Fairbanks Native Association  
5240 Beechcraft Avenue  
Fairbanks, Alaska 99701  
POSITION STATEMENT: Testified in support of HB 225.

ANNETTE FREIBURGER, Executive Director  
Fairbanks Native Association  
616 Slater Drive  
Fairbanks, Alaska 99701  
POSITION STATEMENT: Testified in support of HB 225.

WAYNE WOODGATE, Bartender  
PO Box 82974  
Fairbanks, Alaska 99708  
POSITION STATEMENT: Testified in opposition to HB 225.

JIM ELKINS, Owner  
Elkins and Elkins  
177 Cranberry Road  
Ketchikan, Alaska 99901  
POSITION STATEMENT: Testified in opposition to HB 225.

JAMES ELKINS  
301 Bawden  
Ketchikan, Alaska 99901  
POSITION STATEMENT: Testified on behalf of himself in  
opposition to HB 225.

DONNA LUTHER  
Ketchikan Cabaret Hotel Restaurant & Retailer Association  
917 Freeman Street  
Ketchikan, Alaska 99901

POSITION STATEMENT: Testified on HB 225.

GEORGE TIPTON

Ketchikan Entertainment Center  
PO Box 5762

Ketchikan, Alaska 99901

POSITION STATEMENT: Testified in opposition to HB 225.

FRANCINE WHEELER

125 Main Street

Ketchikan, Alaska 99901

POSITION STATEMENT: Testified as a citizen, as a daughter of an alcoholic, and on behalf of Arctic Bar on HB 225.

ROSALIE NADEAU

Akeela, Inc.

4111 Minnesota Drive

Anchorage, Alaska 99518

POSITION STATEMENT: Testified in support of HB 225.

ALAN BAILEY

Coalition of Alcohol Abuse and Public Safety;

Anchorage Chapter

Mothers Against Drunk Driving

310 K Street

Anchorage, Alaska 99503

POSITION STATEMENT: Testified in support of HB 225.

TOM ANDERSON, Acting Executive Director

Anchorage Cabaret Hotel Restaurant & Retailer Association

8215 East 2nd

Anchorage, Alaska 99501

POSITION STATEMENT: Testified on HB 225.

JEANETTE JOHNSON, Owner

Crazy Horse Bar

741 West 76TH

Anchorage, Alaska 99518

POSITION STATEMENT: Testified on HB 225.

JOHN PATTEE

721 West 4th Avenue

Anchorage, Alaska 99501

POSITION STATEMENT: Testified in opposition to HB 225.

DON GRASSE, General Manager

K & L Distributors

6307 Arctic Spur Road  
Anchorage, Alaska 99516  
POSITION STATEMENT: Testified in opposition to HB 225.

CAROL JACKSON, Credit Manager  
K & L Distributors  
1700 Woo Boulevard  
Anchorage, Alaska 99515  
POSITION STATEMENT: Testified on HB 225.

CHRIS ANDERSON, Owner  
Glacier Brewhouse and Restorante Orso  
737 West 5th Avenue  
Anchorage, Alaska 99501  
POSITION STATEMENT: Testified on HB 225.

ANNE SCHULTZ, Research Analyst  
Advisory Board on Alcoholism & Drug Abuse  
Department of Health & Social Services  
PO Box 110608  
Juneau, Alaska 99801  
POSITION STATEMENT: Explained the \$250 million figure in HB 225.

**ACTION NARRATIVE**

TAPE 01-54, SIDE A  
Number 0001

CHAIR LISA MURKOWSKI called the House Labor and Commerce Standing Committee meeting to order at 3:34 p.m. Members present at the call to order were Representatives Murkowski, Halcro, and Meyer. Representatives Rokeberg, Crawford, Hayes, and Kott [who joined the evening portion of the meeting] arrived as the meeting was in progress.

HB 214-CIVIL ACTION AGAINST MINORS IN BARS

Number 0022

CHAIR MURKOWSKI announced that the committee first would consider HOUSE BILL NO. 214, "An Act relating to a civil action against a person under 21 years of age who enters premises where alcohol is sold or consumed."

REPRESENTATIVE MEYER, speaking as the sponsor of HB 214, said this bill allows bar and liquor store owners to be proactive and

to prosecute underage kids who try to get into an alcohol establishment by using fake identification (ID). Many bars and package stores have used this program effectively, and the word is getting out to the kids.

Number 0155

REPRESENTATIVE MEYER relayed that this program allows the alcohol licensee to offer cash incentives to employees who turn in those trying to use a fake ID. Usually [owners] are able to take the kids to civil court and be awarded up to \$1,000. The programs at Chilkoot Charlie's and the Brown Jug split the money with the employee, thus giving an incentive for an employee to look for fake IDs.

REPRESENTATIVE MEYER explained that this program is optional. The only requirement is that [the owner] put a sign on the door that says a person must be 21 years of age to enter. Many bars in Anchorage have been using the program for several years; the program was started by ordinance, at the request of the liquor industry, because kids were being caught with fake IDs and were not being prosecuted. The alcohol industry wanted to be more proactive keeping underage kids out of their establishments. He said this would hopefully deter underage drinking.

REPRESENTATIVE MEYER pointed out in the committee file a letter from the Brown Jug, which uses the program, and one from the Anchorage Restaurant and Beverage Association (ARBA); he said ARBA quoted Mike Gordon from Chilkoot Charlie's, who has also used the program effectively. There is no fiscal note for the bill, he informed members.

CHAIR MURKOWSKI surmised that if [an owner] brings a small-claims action against an individual, it would go quickly through the system. [There was affirmative confirmation on the record.] She read from the bill that the court shall award civil damages in the amount of \$1,000 and reasonable attorney's fees. Noting that it doesn't provide for costs, however, she asked if this was an omission, because typically one would recover [from the defendant] the costs of the filing fee, which is \$35, and [service of process]. She asked if the sponsor intended to cover it [in the bill].

Number 0399

REPRESENTATIVE MEYER deferred the question to [O.C. Madden] at the Brown Jug. He also offered his belief that the half of the

\$1,000 which the house keeps is used to pay for the cost of the [legal] action.

CHAIR MURKOWSKI asked whether an underage person who enters a liquor establishment to use the phone because of a flat tire, for example, would be prosecuted.

Number 0470

REPRESENTATIVE MEYER answered that [the person wouldn't] because the person isn't trying to get into the establishment with a fake ID and under a false pretense. He said he thought there was some flexibility there with the various establishments.

Number 0526

MIKE GORDON, Owner, Chilkoot Charlie's, testified via teleconference. He explained how he uses the program at his establishment by enforcing the law as it is written in the Municipality [of Anchorage]. He noted that funds received from this are distributed as follows: a third is given to the security people who make the arrest, a third goes toward collection, and a third goes to the club.

MR. GORDON explained that he likes the law because it creates a consequence for the minor; in the past, there was none. These actions jeopardize people's jobs and businesses, and can go on for years without consequences. Today, the parent is notified that \$1,000 is owed. Mr. Gordon said he would like to see the program go statewide because he believes it is doing the job and that the word gets around.

Number 0684

REPRESENTATIVE MEYER remarked that one reason the industry asked for this ordinance in Anchorage was that when [a liquor] license comes up for renewal before the governing body, the establishment gets "dinged" if an underage person has been caught. This was an effort to get the word out to kids to not even try to come into other alcohol places if not of age.

MR. GORDON responded that [Chilkoot Charlie's] not only wants kids to know that they aren't likely to get into the establishment - no matter what type of false ID is presented - but also want them to know that there are consequences, and that [Chilkoot Charlie's] will pursue it to the full extent of the law.

Number 0716

MR. GORDON, responding to the question of the number of underage kids prosecuted by his establishments, said he didn't have the figure.

REPRESENTATIVE MEYER remarked that he had spoken to Doug Griffin at the Alcoholic Beverage Control (ABC) Board, who said 95 percent of fake IDs turned over to the ABC Board come from either Chilkoot Charlie's or the Brown Jug.

MR. GORDON said [Chilkoot Charlie's] prosecutes all of them unless there are extenuating circumstances; he estimated that his business [does a citizen's arrest] four to six times a week. He said the program gives [staff] an incentive for being on their toes. In response to a question about whom the action is taken against when a kid is under 18 years of age, he said it is filed against the [minor]. As for whether the permanent fund [dividend] is garnished if the minor isn't able to pay, he answered affirmatively.

MR. GORDON, in response to a question by Chair Murkowski, said if an underage person comes in because of a flat tire, [Chilkoot Charlie's] has doormen in the entryway at all times who would accommodate that person; the minor wouldn't need to come into the club. He then emphasized that [Chilkoot Charlie's] doesn't try to entrap anyone; there are big signs posted, and minors know what they are doing when coming in.

CHAIR MURKOWSKI brought attention to language in the bill that refers to "if" the person enters the premises. She said regardless of whether the excuse is a blown tire, it is [the establishment's] obligation to ensure that minors aren't on the premises.

Number 0955

MR. GORDON agreed and added that 99 percent of these people are caught at the door. Sometimes it is hard to tell whether [an ID] is fake; if there is question about age, [Chilkoot Charlie's] has the person fill out an affidavit and sign it. When a kid is caught and there is a photo of him or her - a fake ID or photo of the ID that was presented - and an affidavit, [the minor] doesn't have much legal standing at this point.

REPRESENTATIVE ROKEBERG asked if fake IDs are turned over to the ABC Board, and whether there is follow-up about the status of criminal charges.

MR. GORDON deferred the question to the director. He said [Chilkoot Charlie's] has handed them over on a number of occasions; however, he couldn't say what the board does with them. In response to a question, he clarified that when a minor is on the premise, a citizen's arrest is made, a police officer is called, and the minor is arrested; then a civil action is filed against the minor.

Number 1070

REPRESENTATIVE ROKEBERG referred to language in the bill stating "the damages in the amount of \$1,000" and asked Mr. Gordon if he thought this was an appropriate amount.

MR. GORDON said in his experience, \$1,000 is adequate and is a lot of money to anybody under 21 years of age. If raised more than that, it would be too punitive.

REPRESENTATIVE ROKEBERG remarked that [an establishment] or its employees can be fined up to \$50,000 for serving someone who is [underage].

MR. GORDON said that is a good point, but he didn't think there was any sense in making it so high [for minors].

Number 1183

CHAIR MURKOWSKI asked Mr. Gordon whether word is out that if a minor goes to [Chilkoot Charlie's], the minor would be caught and would have to pay a \$1,000 fine. She asked if there has been a decrease in attempts by minors to get in.

MR. GORDON responded that he is sure word is out; however, [minors] are still trying to get in. His establishment has actually caught a couple of people more than once.

CHAIR MURKOWSKI suggested that if it were enforced consistently in all establishments, minors would really pay attention.

MR. GORDON replied that if more people pursued it to the degree that [Chilkoot Charlie's] and the Brown Jug do, it would be helpful in getting the word out. He suggested that these minors look for places that are easier to enter.

CHAIR MURKOWSKI asked whether Mr. Gordon has someone on staff who actually deals with these small claims, follow-throughs, and collections.

MR. GORDON answered that a local attorney did for a couple of years. That attorney did wonderfully the first year, but did nothing the next year; his partner's wife ultimately took that over and continues to do so now.

Number 1340

CHAIR MURKOWSKI remarked that she would like to think the legislature makes it as easy as possible to pursue the complaint through to judgment so [the establishment] can execute on the permanent dividend fund. She didn't want businesses to not pursue this as an option due to the expense associated with the judgment. Therefore, she expressed the need for this to be something that a nonattorney could perform.

MR. GORDON affirmed that this is something that a nonattorney could perform. He added that it is working quite well. He offered to keep the committee informed of his progress with this.

CHAIR MURKOWSKI mentioned that she was interested in whether the Brown Jug pursues the collection costs as well, because that is not included in the language of the bill. However, she felt that the establishment should be entitled to civil damages amounts as well as the recovery of costs and any reasonable attorney's fees.

MR. GORDON agreed and pointed out that currently he is absorbing that cost.

REPRESENTATIVE HALCRO asked whether Mr. Gordon shares the confiscated IDs or other information that he collects and whether there any correspondence between ARBA and CHARR regarding keeping a file on these minors who attempt to enter establishments.

MR. GORDON replied no and remarked that administering something like that would be quite a job. The only cooperative measure he is aware of is in regard to "bad checks." Mr. Gordon added that he wasn't sure how practical setting up such a correspondence would be.

Number 1515

O.C. MADDEN, Personnel Loss & Prevention Manager, Brown Jug, Inc., testified via teleconference. He informed the committee that [the Brown Jug] was part of the group that helped get this passed in 1998. He noted the Brown Jug's success with this: since July 1998 the Brown Jug has confiscated almost 500 IDs from minors. He echoed Mr. Gordon's testimony that the great thing about this is there is now a consequence for this action. He likened the process to zero-cost law enforcement because the state and the municipality don't have to spend any prosecution dollars. The only person who bears any cost is the offender. Furthermore, one great result of this law is that kids have to tell their parents.

MR. MADDEN explained that the clerk would seize an ID and complete a detailed form describing the event, including witnesses. The original ID and detailed form are given to the ABC Board, and Mr. Madden retains a copy. Then a certified letter is sent to the last known address of the person, if it can be determined who the individual is. Often, these minors are using fake names. If the individual is identified, then the individual receives a certified letter demanding payment within 15 days. After the 15 days has passed, the establishment can file a small-claims action. In further response to Representative Murkowski, Mr. Madden said the Brown Jug does this in-house.

CHAIR MURKOWSKI asked whether Mr. Madden is able to recover the costs.

MR. MADDEN recalled that the ordinance in Anchorage allows establishments to recover reasonable attorney's fees and any court costs, in addition to the \$1,000. In response to a question by Representative Meyer, he agreed that [the Brown Jug] reviews each case and does not always go for the \$1,000. [The Brown Jug] seizes IDs from all minors, and if the belief is that the minor wasn't there to purchase alcohol, then a reduced amount is sought.

Number 1768

CINDY CASHEN, Mothers Against Drunk Drivers (MADD), noted her support of HB 214.

KACE McDOWELL, Cabaret Hotel Restaurant & Retailer Association (CHARR), noted CHARR's support of HB 214.

REPRESENTATIVE CRAWFORD asked Mr. Madden whether, if [a minor] comes into his store to buy a Coke, that individual is carded.

MR. MADDEN replied yes. He pointed out that an individual must be 21 years of age to enter the premises [of the Brown Jug].

REPRESENTATIVE CRAWFORD asked what would occur if a person entered the premises in order to use the telephone.

MR. MADDEN noted that there have been cases in which [the Brown Jug] has not pursued action. If it is felt that the individual is not attempting to purchase alcohol, then a reduced amount would be sought to cover costs. Mr. Madden specified that it is a class A misdemeanor for a minor to enter the premises without a parent, adult, spouse, or court-appointed legal guardian.

Number 1829

REPRESENTATIVE ROKEBERG moved that the committee adopt conceptual Amendment 1, to add language on page 1, line 9, that would allow the recovery of costs associated with filing the collection. There being no objection, conceptual Amendment 1 was adopted.

[A motion to move the amended bill from committee was made, but was withdrawn in order to take up another amendment.]

Number 1937

REPRESENTATIVE CRAWFORD moved that the committee adopt conceptual Amendment 2, to insert language that in order for [a civil action to be pursued], there must have been an attempt to purchase alcohol.

REPRESENTATIVE ROKEBERG objected.

REPRESENTATIVE CRAWFORD related his belief that [an underage] person who enters the premises to use the telephone shouldn't be charged. He indicated there could be an emergency.

REPRESENTATIVE ROKEBERG pointed out that strict limitations in Alaska's liquor laws require the establishment to delineate the floor plan of the licensed premise. Representative Crawford's amendment would destroy Alaska's liquor law system. He related his belief that good judgment should prevail [in situations described by Representative Crawford].

CHAIR MURKOWSKI emphasized that this is an option available for the licensee to pursue this action.

REPRESENTATIVE HALCRO mentioned that this is why some of these stores have large signs posted that say people under 21 are not permitted entrance without an adult or a legal guardian. He directed attention to page 1, line 5, of the bill, which says, "A licensee may bring a civil action".

REPRESENTATIVE CRAWFORD withdrew his motion to adopt conceptual Amendment 2.

Number 2064

REPRESENTATIVE ROKEBERG moved to report HB 214, as amended, out of committee with individual recommendations and the accompanying zero fiscal note. There being no objection, CSHB 214(L&C) was reported from the House Labor and Commerce Standing Committee.

Number 2080

CHAIR MURKOWSKI announced that the meeting would be recessed to a call of the chair. [There is no recording on Tape 01-54, Side B because a new tape was inserted.]

TAPE 01-55, SIDE A

CHAIR MURKOWSKI reconvened the House Labor and Commerce Standing Committee meeting at 5:42 p.m. Members present at the call back to order were Representatives Murkowski, Crawford, Rokeberg, and Halcro. Representatives Hayes and Kott joined the meeting as it was in progress.

HB 225-ALCOHOLIC BEVERAGE TAX

CHAIR MURKOWSKI announced that the final order of business would be HOUSE BILL NO. 225, "An Act relating to municipal taxation of alcoholic beverages and increasing the alcoholic beverage tax rates." [Before the committee, adopted as a work draft on 4/9/01, was version 22-LS0806\L, Cook, 4/9/01.]

Number 0073

JERI LANIER, Family Centered Services of Alaska (FCSA), testified via teleconference. She stated:

I am very much for the alcohol tax in the interest of the fact that [there are] a rising number of agencies and departments competing for the very few dollars that there are to spend. I think ... the best thing to do is to add the tax so that the funding gets spread out just a little bit further.

ANDY HARRINGTON, Arctic Alliance, testified via teleconference. He addressed some points discussed at the previous hearing:

Point one: moderate drinkers shouldn't have to bear this burden. My response is: no Alaskan consumer is going to have to bear this burden. We each are going to choose how much of it to bear, whether it's zero or paying a small amount or paying a large amount. That's one of the bill's strong points, in my view.

Point two: businesses may have to lay off employees or close down. Well, this is a legitimate point and it shouldn't be ignored, but at the same time everybody seems to agree that there is just too large a volume of alcohol flowing through our families and our communities. Decreasing that volume will probably mean that each seller will be selling less and/or some businesses may close down. I hope they can put their [business] skills into branching out or figuring out how to maintain a reasonable profit level at a lower volume. And I wish more power to them in that endeavor, but we just need to have less volume of alcohol.

Point three: it's unjust to leave alcohol tax decisions up to municipalities. I don't think that is a valid point. Local governments are no less represented than state governments. The statement that the Fairbanks North Star Borough does not spend money cleaning up alcohol problems is just simply wrong, as any member of the borough Health and Social Services Commission could attest.

Point four: this bill won't solve the problem. Granted, it won't solve the whole problem by itself, but its supporters aren't claiming that. We do need other things. We need the lower DWI [driving while intoxicated] blood alcohol limit; we need better laws on minor consumption; we need more treatment programs.

But those don't diminish the needs for this bill, which is as important a component as those others. ...

Point five is [it will] lead to more bootlegging. Perhaps, but we have laws that deal with that, and if they aren't being enforced, that's a dollars issue, and this tax will generate more revenue to enhance that effort.

Point six: we can't be sure that all this money will be spent on alcohol problems. That's true because our constitution prohibits dedicated funds. We have to turn to our legislative judgment to decide for any spending priorities from year to year, as [for] all Alaska since its statehood. That's not a reason to not enact this bill.

[Point] seven is the 300 percent increase. Well, percentage is dependent on where you start as well as where you finish. If you need this increase to bring us up from a very low starting point to a merely low end point, we shouldn't be afraid of it for that reason.

Number 0132

GLEN BRADY, President, Silver Gulch Brewing and Bottling Company, testified via teleconference in opposition to HB 225. He informed members that he is on the board of directors of the state CHARR (Cabaret Hotel Restaurant & Retailer Association). He also has a bachelor of science degree in mechanical engineering and understands the use and abuse of statistics. He stated:

With that in mind, I'd like to go over some interesting studies I've come across that may be enlightening to the committee. First, according to the State of Alaska Advisory Board on Alcoholism & Drug Abuse, there are strategy points laid out to reduce the negative consequences of alcohol and other substance abuse. Now, bear that in mind; I'm going to go through some facts. ...

One, according to the Office for National Drug Control Policy, the total expenditures on illicit drugs in the United States were \$65.8 billion dollars in 1998. Two, during the same year, the total national output

of money on alcoholic beverages was \$84 billion dollars. ...

Three, according to numerous studies done on the effects of moderate consumption - that's one drink a day for women, two drinks a day for men - there is a clear benefit in terms of the reduction in the risk of heart disease. There are also studies that indicate, however, that moderate alcohol consumption [in women] increases the risk of breast cancer.

Now, here is where I am going to step in with an opinion. If we set aside statistics and try to examine some facts, we cannot safely say that moderate alcohol consumption is evil, nor can we say that it is a magic bullet. We can, however, say that there is a growing body of research that indicates that responsible use can have positive effects. ...

Next, there are no tax revenues collected on illicit drugs; this is a fact. According to the data from the Substance Abuse and Mental Health Services administration, there were 1.5 million people admitted into treatment programs in the country in 1998. Of those, 26.1 percent were alcohol only. Of the addition 20.3 percent, they were classified as alcohol with secondary drug abuse. What this means is that about half of the people admitted into treatment had had problems with alcohol.

Now, while I don't know exactly how much the alcohol history contributes to the economy with jobs ... in production, distribution, and service industries, ... I do know that the illicit drug trade does not contribute to the economy in any of these ways. ... All these national numbers don't necessarily translate to a state level; however, we could safely say that they probably have some bearing on what's going on in Alaska.

I'd urge you to not support this bill in its current wording, because this will affect me as a small producer by virtue of our already high price point on the shelves.

CHAIR MURKOWSKI, sponsor of HB 225, asked Mr. Brady how much Silver Gulch produces on an annual basis.

MR. BRADY responded that last year he produced approximately under 1,700 barrels, which is about 60,000 gallons.

Number 0198

REPRESENTATIVE HALCRO stated that he appreciates the statistics that Mr. Brady put forward, but thinks the one statistic that "trumps" all is the amount of money [the legislature] has to appropriate every year from the state budget to cover the costs associated with alcohol.

MR. BRADY said that's a good point, and explained that he had brought up the national statistics because they are probably somewhat close to what is occurring in Alaska. Basically, they show that well over half of the cost is a result of illegal drug abuse, not just alcohol.

REPRESENTATIVE HAYES asked Mr. Brady what he thinks is an appropriate alcohol tax.

MR. BRADY answered that as a CHARR board member, he has discussed this a lot; in principle, he is not adverse to a reasonable tax increase. However, any tax increase borne by the industry should go toward addressing the problems. He remarked that [CHARR] looked at wellness courts and educating children about the possible ill effects of alcohol and drug abuse. The fiscal note on those, he said, is \$1.9 million plus another half a million [dollars] for elementary students. He said he thinks that would seem reasonable.

Number 0242

NICHOLAS STONE, Director, "Inroads to Healing" Program, Fairbanks Native Association, testified via teleconference in support of HB 225. He noted that the "Inroads to Healing" Program is an outpatient treatment service for people with addiction issues. He said:

I've been in this field for over ten years, all here in Fairbanks. ... I'm in favor of this bill, and what I like most about it is this: One, it doesn't put people in jail for using alcohol; and two, it doesn't prevent nor stop anyone from using alcohol. What it does do is tax those who use, and those who use the most get taxed the most.

Furthermore, given the nature of my business, I see those who use the most, and those tax dollars have a great chance of better serving them. As we know - and it's well documented - those who use the most cost us the most, not just in treatment costs but in all other costs in our society. It took Congress years to learn that tobacco was addictive, so let me be perhaps one of the first to say right now alcohol is also addictive.

Currently, we pay over \$500 per capita for substance abuse. The majority of the states pay closer to \$200 per capita - and even those with populations close to our size. I don't have any misconceptions that the user tax will stop drunk drivers, or that it will go to treatment programs - although I think it should. Nor will it put down bar owners or put them out of business. Frankly, all taxes discriminate, and I think this one aims to the correct audience.

Number 0269

ANNETTE FREIBURGER, Executive Director, Fairbanks Native Association (FNA), testified via teleconference in favor of HB 225. She stated:

FNA administers formal residential alcohol and drug treatment centers as well as [a] long-term residential unit for chronic inebriates. We have the only detox unit serving a 250,000 square-mile area, plus we have instituted an outpatient treatment center. Our treatment programs have been struggling with flat funding for more than a decade. It's getting more difficult all the time to maintain the expected outcomes with no increases in the budget's covering expenses, like cost-of-living increases. Our staff is burning out at an alarming rate due to overtime and no break in service. We cannot afford to be competitive with private organizations that use medical personnel like we require at our detox units, as well as trained certified treatment staff. Staff turnover is our most critical difficulty.

FNA is in support of House Bill 225. We believe that the excise tax on alcohol paid by the people who use alcohol will relieve some of the budget burdens that the legislature has to deal with every session. If

this tax is collected and redistributed to help support the programs that the abuse of alcohol creates, it would be of great benefit to the people of the state of Alaska. It would ... only be users that would be affected. A full 10 percent of Alaska's population suffer from alcohol dependency, more than twice the national average. Alcohol abuse is Alaska's number-one social and public health concern. The increase is not staggering to anyone except the heavy user. As heard in prior testimony, the majority of alcohol users are not abusers; therefore, most users will not be heavily impacted. This small amount of money on each drink will have [a] very large economic impact on struggling programs.

Number 0298

WAYNE WOODGATE, Bartender, testified via teleconference in opposition to HB 225. He stated:

The [Legislative Information Office teleconference] room yesterday was completely filled; the room was standing room only, as you can see by the people who signed [up] on the roster. ... Most of the people who were against this proposed bill, as I am, are not here right now. Unfortunately, that's probably due to the fact that they have to work.

I myself am a full-time student; I've been a bartender for 11 years. I had to leave yesterday early. ... From my own personal experience, I was going to pick up my year-and-a-half-old son from his mother who was also going to work; she also works in the bar industry. ... If anybody says this isn't going to affect actual real people with real jobs, I think this is a very good representation of what's going on. Unfortunately, the testimony from the people on the opposing side can't be here to really speak their mind today, ... so I would like to speak for them all, that we work really hard for our money, and this is something we do for a living.

Number 0328

JIM ELKINS, Owner, Elkins and Elkins, testified via teleconference in opposition to HB 225. He stated:

Yesterday was an interesting day for me. I spent two hours of my time waiting to try to speak on this issue ... that I believe will cost jobs in Ketchikan. And I spent the later part of the evening, for three hours, with [U.S.] Senator Murkowski, [Chair Murkowski's] father, who was in town trying to tell us how to save jobs and service down here in Ketchikan. ...

All that aside, I would just like to make a couple comments. In the last few years in Anchorage, the voters have unanimously turned down two attempts to put an excise tax on liquor, and then in the third election ... they passed an ordinance at a referendum vote that ... three-fifths of the majority had to approve any tax in Anchorage. So that's 60 percent of the voters [who] have to go to the polls and say, "Yes, we want a tax in Anchorage, in the municipality." And I find it ironic that you would put forth a bill that would say that the rest of the municipalities in the state had (indisc.) an excise tax, and not protect them the same way the Anchorage voters protected themselves. ...

If you want to pass it, put in there that to add a municipal election, it has to pass by three-fifths - 60 percent of the voters. Then, statewide, we have a level playing field. You know there is not a level playing field now [in] most places in the state, because most of us pay sales tax in the state, except they do not in Anchorage. ...

It bothers me that some people think that there's a lot of money in this business. ... There's less than 400 people per liquor license in Ketchikan. Come down here and walk in our shoes before you take to the opinion that there's money flowing out of our pockets for other things. ... We're already down from ten employees to six, and most of the people in our industry are single parents. ...

Speaking on behalf of ... state CHARR, of which I've been on the board since it started 30 years ago, ... it helped create a lot of the good legislation in the state that has helped bring down alcohol abuse. And if you look at your own figures, from 1984 to '99, consumption is down because tax revenue is down. ... Obviously, ... if tax revenue is down, the consumption

cannot be up. But I would say that - as responsible people in the industry that state CHARR represents - we don't mind stepping up to the plate and coming up with a reasonable tax to help pay down the deficit that the state's going to have. But where's oil? Where's fish? ... We don't want to be the only ones stepping up to the plate. ... I get the feeling that some of the members on this committee almost look at us like second-class citizens, and don't care what we say or what we do. It really bothers me.

CHAIR MURKOWSKI responded:

Truly, if I didn't care what you and others within the industry thought about this, I certainly wouldn't take the time that I'm taking to hear all the public testimony. It is important to hear not only your perspective, but the perspective of other people that are affected by this alcohol tax.

Number 0399

REPRESENTATIVE HALCRO added that [the committee] needs to understand the reason for even discussing this. The fact is, there is a real cost to society, and legislators have a responsibility to not only the hospitality industry but to every Alaskan. He clarified that in 1995 there was an alcohol tax on the ballot in Anchorage; it passed by less than 2 percent, [in part because of] a fear of taxation, period.

MR. ELKINS responded that he thinks to implement a tax like that and not make it the same for everybody in the state is criminal.

REPRESENTATIVE HALCRO remarked that he understands that. He said the municipal contribution has been taken out of the bill; more important, even if it were in the bill, the people of Anchorage would still have to approve any increase in the alcohol tax by a supermajority.

REPRESENTATIVE HAYES asked Mr. Elkin what the reasonable offer was the industry had come up with.

MR. ELKINS responded that [the industry] gave it to Representative Kott some time ago, but he thinks it was thrown out. He stated that the bottom line is that the Alaska state CHARR has no problem stepping up to the plate to raise taxes to bring down the deficit in the state.

REPRESENTATIVE CRAWFORD asked Mr. Elkins whether the tax increase in 1983 affected his industry.

MR. ELKINS responded that it was a long time ago, and things were a lot different in the state then: there were a lot of jobs. He said the question is not relevant to today in Alaska.

REPRESENTATIVE KOTT remarked that he would ask somebody in some part of the state where [the economy] is not depressed.

Number 0453

JAMES ELKINS testified via teleconference on behalf of himself in opposition to HB 225. He stated the he would like to address the \$249 million number that the Governor's Advisory Board on Alcoholism & Drug Abuse put out in its annual report. He said [the board] admits that its numbers are based on national studies; therefore, he said he looked at those studies. In the tenth annual report to congress from the Institute on Alcohol Abuse and Alcoholism it states that the amount lost nationally was roughly \$682 per man, woman, and child. However, states and local governments only have to pay for 18 percent of that cost, which in Alaska would only be \$77 million. The number, he said, also includes lost income revenue. He remarked that he disagrees with anybody who says this isn't going to affect consumption, because in that tenth annual report to congress it says a 1 percent increase in price will effectively create a 1 percent decrease in demand.

DONNA LUTHER, Ketchikan Cabaret Hotel Restaurant & Retailer Association [CHARR], testified via teleconference. She stated:

In Southeast here, with the decline of the timber and the fishing industry, tourism has become our number-one industry. ... And if this excise tax that is referred to as the 10-cents-a-drink tax - which, by the way, I think is very misleading - is passed, the hospitality industry is the next to fall by the wayside of government. There's a lot of people in this community and people that work with me that will be affected by this, and I think adversely so.

There [are] jobs at stake here. Let's be reasonable and realistic: a tax of this magnitude will give an employer no choice but to cut back his workforce. I can't think of any industry - or individual, for that

matter - who would not be opposed to a 300 percent increase, the state taxes, as well as the potential for an addition 300 percent increase in municipal taxes. ... I'm not opposed to a tax increase. Clearly, it's been a long time coming. But what I am opposed to is the 300 percent increase disguised as a dime.

Number 0495

GEORGE TIPTON, Ketchikan Entertainment Center, testified via teleconference in opposition to HB 225. He stated:

I believe the proposed legislation to be an unreasonable increase in its current form. It's been stated that more money is needed to pay for social programs, and supposedly we spend \$250 million but only take in \$12 million. I would really like to know where this \$250 million number comes from.

I also believe that not enough money gets to the education, treatment, or prevention programs because of the small (indisc.) and administrative overhead. I see this everywhere, as being politically active in the community and sitting in local government bodies in the past; I know exactly how that occurs. There are a number of varying agencies - federal, state, and local - that duplicate efforts, and it seems to reason that these need to be brought under one umbrella [for] it to be more cost-effective. Let's get the money where it needs to be.

I also kept hearing yesterday from professionals on treatment and program [sites] about all the study data. Another question comes to mind: Just how much money goes into these studies and away from the actual programs? Also, can anyone tell me how effective the treatment and education and preventive programs are - if they are being duplicated and not consistent in their factions? It seems we have many repeat offenders who probably take the biggest percentage of these dollars.

This bill's a tax - or call it a user fee - on one industry, but is it not all of the citizens' responsibility? I have never had kids in a public school system in the state of Alaska, yet I have paid

a property tax ... for 30-plus years so kids can get an education - just as I got in the state, in Juneau. There is no difference in my responsibility as a citizen of the state in that endeavor, as it is here for everybody else.

There were some questions that were asked by the committee members that I would like to respond to. Yes, we have drink menus at all of our establishments. I believe this question has been asked because it could be pointed out that the change to the customer wouldn't make any difference if the customer does not physically see it on the menu.

Another question: Who is the tax unfair to? A majority of the people who are the responsible drinkers. It would benefit on behalf of the abuser, that we would have to pay for it.

In the sponsor statement are some charts that reflect the alcohol beverage's tax revenue with and without a CPI [consumer price index] adjustment as well as the current tax per drink. If we would have followed these scenarios, and (indisc.) there had not been an increase since 1983, the increase [brought] up on the CPI report ... would be approximately 44 percent for .0145 on beer and wine, and .0192 on spirits. This is a far cry from what's being proposed.

Number 0526

MR. TIPTON continued:

I totally oppose a tax on just the one industry, and not on all of the state citizens. But if this bill were to be changed [by] this rate, I think that's probably pretty close to what the offer was made by the industry itself, as reflected with a CPI adjustment in the sponsor statement. I would suggest that we spread it out over the next couple of years, as an increase of this magnitude in one year is unrealistic. Imagine the cost to my business if a bottle went from \$10 to \$14.40. Many of us struggle to survive, but we do our jobs very responsibly, as I have never had a liquor violation. And we go far out of our way to make patrons be responsible as well.

Since we have heard many varying proposals for and against, consider another [possibility]: You could fund the whole program for \$250 million - if that's the real number - with a state income tax, because it will supposedly generate exactly that amount annually, thus bringing up other general fund dollars for infrastructure, which creates jobs throughout the state. How unrealistic is this? Only you can determine in the legislature. It basically boils down to the fact that the state must produce a long-range fiscal pact, just as we'll do in business. ...

This is an industry that has approximately 17,000 employees, and an economic impact of \$1.4 billion in the state. We are responsible as an industry, and we should not be forced to cover, by ourselves, irresponsible acts of others and all of the ... liberal social programs. Alaska could become the highest alcohol-taxed state in the nation.

CHAIR MURKOWSKI remarked that she appreciated Mr. Tipton's testimony. She stated that there has been a lot of conversation about agreeing to something reasonable, and yet there has been a hesitancy to say what that might be; she noted that Mr. Tipton has tied that to a specific increase. In regard to his concern about where the \$250 million goes, she said treatment is just one component of that expense, which is made up of the cost to the Department of Corrections, to the courts, to [the Department of] Public Safety, and to all aspects of the state that are affected.

Number 0555

FRANCINE WHEELER testified via teleconference as a citizen, as a daughter of an alcoholic, and on behalf of Arctic Bar. She informed members that she has 12 siblings and she is the only one who drinks. She added that she has worked in every bar [in Ketchikan] but seven, and has never had a liquor violation.

MS. WHEELER told members she would like to see the overall tax as an alcohol preventative tax or as an income tax. She said this is a social issue that needs to be [dealt with] by everyone. She is not opposed to a raising the alcohol excise tax by a reasonable increase. She had talked to 200 people and asked them what they thought of the tax, she reported; they'd replied that they didn't have enough information, but that if they were going [to respond] based on the information sent, they

would say "absolutely not" or would have to quit drinking. She said if they quit drinking, she would have to quit her job. Ms. Wheeler continued:

We're certainly able to understand that alcohol, like any mind-altering substance, when used by certain people among our society, causes pain and many negative consequences. We also understand that in many cases it does not. It provides relaxation, and many, many good memories come out of a night of celebrations.

I would like to paraphrase a man from Kenai: ... "House Bill 225 is being put forth as a user tax. If you don't use it, you don't pay; heavy users pay heavy." His idea was, if we solve problems in our society this way, ... we should carry the idea of the user tax all the way down the line. ...

Spins are put on numbers in every political arena that there is. None of ours are any different. 10 cents a beer or a drink doesn't sound like much, but if you know economics, you know that that 10 cents goes to the manufacturer, which goes to the bottler, which goes to the wholesaler, which goes to the deliverer, which goes to the retailer, and somewhere down the line that 10 cents gets to the customer. Now, [if] we take that 10 cents from the state and 10 cents from the city and 10 cents from the borough, we have 30 cents. You take that 30 cents all the way down the line and that drink that costs \$3.50 is realistically going to cost \$5.00 or \$5.50.

TAPE 01-55, SIDE B  
Number 0588

MS. WHEELER continued:

... If you are representing the people, then put it to them so they can understand it. ... When they raised the taxes in 1983, ... I think that before that they were collecting, ... \$15 million a year in revenue and taxes, and it went down to \$12 million this year. Before that, it was a voluntary system; they put their tax money up there. Then we introduced this tax increase [and] we've lost jobs. ...

There's no earmarking on this bill. There's no cap to this bill. There's no anything. The way it's worded, I don't understand. ... We're going to let it [go] right into the general fund, and then we're going to hope that some of it gets down to the people who you say we are supposed to be paying for.

I think this is a society problem, and all of society needs to split this. ... A lot of this starts with our children. ... As far as public schools go, we need a lot of help in the area of our children. We need to teach them to love and not hate; we need to stop them from feeling separation. Love, to me, equals self-responsibility. This is not teaching any child self-responsibility. CHARR does so much in the community; we really, really have a lot of people that we are representing here.

REPRESENTATIVE HALCRO stated that Ms. Wheeler's testimony was similar to what [the committee] heard yesterday from different communities: people talked about the local economy being down, and raising the tax will cause a devastating effect. He asked Ms. Wheeler, if the economy is so poor in some of these communities and money is tight, whether these folks should be spending their money drinking in bars.

MS. WHEELER responded that there is no way [liquor businesses] should bear the brunt of paying this whole tax. Her point is that it is a societal problem.

REPRESENTATIVE HALCRO said he has seen about a half a dozen surveys in which 75 percent would support an increase in the alcohol tax. He asked Ms. Wheeler, if a nondrinker is driving down the road and someone who has been drinking runs a red light and hits the car, whether the victim should have been paying to address this problem all along or whether it should have been placed on those who contribute to the problem.

MS. WHEELER responded, "The people in the automobile industry, should they be paying taxes for having created cars in the first place?"

REPRESENTATIVE HALCRO replied that it is not the same. The car, doesn't cause the accident; the people cause the accident.

MS. WHEELER agreed and stated that [the legislature] is not asking the people to pay a tax for negligent drivers.

Number 0520

ROSALIE NADEAU, Akeela, Inc., testified via teleconference in support of HB 225. She stated:

We put this a tax on the user, not the industry. Now, I understand the industry people don't see it that way, but that is how we see it. We understand that this is not a tax that is going to be a dedicated tax to address treatment and prevention needs. ...

I represent one of the larger prevention-and-treatment organizations in this state, and alcohol is the number-one substance abuse problem in this state. ... 14 percent of the births in Alaska are FAS [Fetal Alcohol Syndrome] children, and that puts our rate twice the national [rate], and a lot higher in the world of FAS births. That isn't drugs - that's alcohol. It's the one area I think that ... perhaps has worse impacts than any drug one can think of, and that is on the life or the potential life of an unborn child.

Very little of the ... \$250 million ... is spent on treatment and prevention programs. In fact, the budget that was set aside for the various programs impacted by alcohol ... in 1998 were \$324 million. ... Of that, .5 percent ... went to prevention and treatment. It is, of course, our hope that with the infusion of some more dollars generated by this particular measure, more money will find its way into treatment and prevention.

I think what I hear from the industry is that the assumption those of us who work in treatment-and-prevention programs make is true, and that is, increasing the cost will decrease the consumption. I know that if I were a waitress or a bartender ... I would probably be concerned about that. ... But I look at it from the point of view of what is the impact on this state of the abuse of alcohol, and I think it makes this measure not only needed, but a very sensible approach, especially if some of those funds are funneled into some of the treatment and prevention programs.

Number 0486

ALAN BAILEY, Coalition of Alcohol Abuse and Public Safety; Anchorage Chapter, Mothers Against Drunk Driving (MADD), testified via teleconference. He noted that he was also a member of [Governor] Knowles' 1984 DWI taskforce. He said even 17 years ago, some members of that taskforce urged that the taskforce recommend a significant increase in beverage taxes; however, it was not done.

MR. BAILEY informed the committee that as the Anchorage municipal prosecutor for ten and a half years, he'd learned through his daily work that the vast majority of crimes were alcohol-related. A family-law attorney in Anchorage for 16 years, Mr. Bailey said the biggest problem he sees involves drug and alcohol abuse; for example, that afternoon he had to explain to a young woman how her husband's alcohol abuse affected his parenting. Alcohol abuse exacerbates domestic violence, child abuse, child neglect, health problems, the modeling of addictive behaviors by parents for children, and other kinds of dysfunction in families and society.

MR. BAILEY suggested that this bill would work to reduce alcohol-related problems in society, regardless of what the legislature does with the revenues. Research shows that higher taxes lower alcohol abuse and the related problems; that research also shows that even DWIs have been reduced when societies have significantly increased alcohol taxes.

Number 0456

TOM ANDERSON, Acting Executive Directory, Anchorage Cabaret Hotel Restaurant & Retailer Association (CHARR), testified via teleconference. He stated:

Our association has recently started its recruiting process for members, and I am pleased to report that nearly every business I've contacted has joined. These businesses include food distributors and tourism-and-marketing companies and even a furniture sales [company]. ...

The connection to restaurants and hotels and bars these ... businesses have is really a collective concern about freedom to operate a business without [being] under restraint in conjunction with the promotion of a responsible hospitality industry.... I

think the bottom line is everybody's concerned about health and safety and welfare. Certainly, I would say, unequivocally, the hospitality industry is. ...

Interestingly, groups like Anchorage CHARR ... have the same vision of reducing DWIs and alcohol abuse. We are being proactive in our community by our own memberships and activity. ... Anchorage CHARR has been in contact with Kevin Tubbs. You've probably read the article he was featured in yesterday regarding the drug Naltrexone, which is an alcohol-addiction suppressant. And we've expressed an interest in administering the ... program that he and Brown Jug started to assist those addicted to alcohol. ...

We're also looking into Anchorage CHARR researching the potential for a grant to the University of Alaska Department of Justice ... in conjunction with the Department of Geomatics to study -- basically, they can do math and pinpoint through data just about anything. And we are looking at alcohol-related incidents and DWIs in the city, and trying to work with APD [Anchorage Police Department].

... I give you these examples simply to say that we are proactive. The "demonization" is unfair, [and] Anchorage CHARR has members throughout the city active and willing to try to counter these problems. These ongoing endeavors, to name a few, I think are illustrative of the fact that we want to recognize [that] health and public safety issues should be number one. ...

I don't think anyone faults the attempt to close the fiscal gap, and I think you've been stellar and staunch in supporting a reduction of waste in the budget and finding alternatives to the opposite of that. And yet I think we have to be cautious; I mean, I've worked in legislative budget and audit. ... With this comment about alcohol abuse costing taxpayers \$249 million, I would love to see the research on that.

... I think you must... take into account loss of jobs, wages, and lack of clarity on where the funds will be dedicated, in addition to the unfair increase as a whole. So, I think these negatives and the

disabling effect on the industry outweigh the benefit at this time. ...

I think an audit would be prudent, and I think at this time it would be better to continue the analysis and couple it with verification of these alleged costs to taxpayers, and hold off at least until next session, and - if anything - reduce the current amount of the bill.

Number 0392

CHAIR MURKOWSKI stated that she appreciated Mr. Anderson's testimony. She said she did read the article about Kevin Tubbs, and she had talked with Judge Wanamaker a couple years ago about his program and how he applies Naltrexone. She mentioned Speaker Porter's therapeutic courts bill and several alcohol-related bills that were moving through the House. She observed that the industry is not blind to the problem, and is not unwilling or uncooperative in attempting to address some systemic problems. However, many legislators believe an increase to the existing excise tax is a component of that alcohol package.

REPRESENTATIVE HALCRO concurred. He said he doesn't think it is the intent to "demonize" anybody who has testified. Noting the lively debate, he remarked that [the committee] is grappling with the difference between what alcohol costs the state and what is taken in, in trying to find ways to fund these programs.

Number 0352

JEANETTE JOHNSON, Owner, Crazy Horse Bar, testified via teleconference:

Every bar around Anchorage and throughout Alaska usually donates money to different charitable organizations. Just in the month of February my bar, which is the Crazy Horse, ... sold \$4,667 worth of Shamrock. I guess in '89 through the year of '97, just in the (indisc.) alone, the bar turned in \$500,000. Every bar around Anchorage has some charitable organization; they're donating money, they're raising money. And usually we have three different liquor distributors, which always give us different things we can sell or auction off to raise this money. So whether it's one disease [or] another

disease, the bars are doing something besides just selling a drink.

JOHN PATTEE testified via teleconference in opposition to HB 225. He stated:

First of all, the hospitality industry is very large, not only in this state but across the country and the world. In this state it supports thousands of businesses, their employees, and their families, not all of which sell alcohol.

Many of these businesses are support-type companies. Hospitality-industry members are people who live and work hard for their money to support themselves and their families. They also support their communities. Our industry members attend, support, and are personally involved in every aspect of our community such as churches, schools, PTAs [Parent Teacher Associations], community councils, nonprofits, charities, business organizations, government agencies, and many, many other organizations that are good for our communities. Our pull-tab sales alone support thousands of charities and nonprofits that would not exist without our help.

We work with the community councils to help solve problems at the grassroots level. We train our employees to be responsible servers of alcohol. We've implemented, or are working on implementing, many programs that address alcohol abuse, drunk driving, and even sexual assault. We understand the problems related with alcohol as well or better than anyone, and have and will continue to work towards solving them.

I do not believe the hospitality industry should be punished by this very large tax. I don't believe the money generated would or can be dedicated to alcohol issues. The cigarette tax and tobacco industry settlement money is a good example of that.

Ms. Murkowski stated that we are number one per capita in alcohol abuse. This may be true. Because [of] a small population of our state, we are number one in almost any category you choose.

Ms. Murkowski also mentioned the \$250 million cost to the state. I don't have any scientific numbers, but I do believe our industry pays for much more of that than has been proclaimed. We pay it by our taxes - personal, property, sales, corporate, and other taxes including alcohol taxes. We pay it by our time and efforts involved within our communities to make them a better place to live and work. We pay it by the tens of millions in charitable donations and sponsorships given to our communities directly or by selling pull-tabs. And we pay it by the local economics the hospitality industry helps fuel.

Finally, let's not just throw money at our problems. Let's come up with some real solutions to solve the problems a small minority of population is creating, without punishing the rest of us or blaming us for a problem our whole society helped create. The hospitality industry members and their families, along with government and other concerned agencies, can do it if we work together. Please do not pass this bill; it will harm many of the people that make Alaska a great state.

Number 0281

DON GRASSE, General Manager, K & L Distributors, testified via teleconference in opposition to HB 225. He stated:

We employ over 125 Alaskans in this state, which includes Teamsters, administrative support, sales professionals, merchandisers, et cetera. We distribute our products to over 1,200 license holders in the state of Alaska. I'm against House Bill 225 with tax increases of 300 percent. ... I've listened to quite a bit of testimony on this bill, both yesterday and today, and I'm against a bill that's designed to penalize an industry - what has been characterized by a lot of people on the opposing side as an irresponsible industry.

I wanted to read some facts to the committee. ... The percentage of teens ages 12 to 17 who reported having a drink in the past month is 43 percent lower in 1999 than in 1990, and 47 [percent] since 1982. The 1999 teen drinking rate is the lowest level since tracking began since 1979. By the way, these are national

statistics. The percentage of high school seniors who reported having a drink in the last 30 days is 12 percent lower in 2000 than in 1990, and 28 percent since 1982. The percentage of high school seniors who reported having five or more drinks in a row in the last two weeks is 7 percent lower ... in 2000 than in 1990, and was down 26 percent in 1982. The percentage of college freshman who say they drink beer frequently or occasionally is at its lowest level since record keeping began in 1966. The record low in 2000 is 15 percent [lower] than in 1990, and 34 percent since 1982.

Number 0244

MR. GRASSE continued:

Signs of progress on drunk driving: The number of people kill in drunk driving crashes has declined 32 percent since 1990 and 41 percent since 1982; from 18,444 in 1982 to 10,867 in 1999. The number of people killed in teenage drunk-driving crashes has declined 40 percent since 1990, and 64 percent since 1982 - going from 3,500 in 1982 to 1,293 in 1999.

Today there are 2.2 million fewer teen drinkers than there were in 1990, and 3.2 million fewer teen drinkers than there were in 1982. There were 13,000 fewer high school seniors who reported drinking today than did in 1990, and nearly 600,000 fewer high school seniors reported drinking than did in 1982. There were 5,000 fewer drunk-driving fatalities in 1999 than there were in 1990, and there were 7,500 fewer drunk-driving fatalities in 1999 than in 1982. There were 870 fewer teen drunk-driving fatalities in 1999 than there were in 1990, and 2,300 fewer teen drunk-driving fatalities in 1999 than there were in 1982. ...

Total fatalities in drunk driving crashes in Alaska were down 42 percent. Fatalities in teen drunk-driving crashes in Alaska were down 50 percent since 1982. Dramatic reductions in underage drinking and drunk driving over the past 20 years indicate that community-based programs, partnerships, [and] "personal responsibility" messages are working. Parents, educators, retailers, law enforcement authority, and others are seeing signs that their hard

work to reduce the incidence of underage drinking and drunk driving is making a difference.

Number 0221

MR. GRASSE continued, stating:

Our industry will and has acknowledged alcohol-related problems, not only nationally but [also] in the state of Alaska. That's why our industry continues to work hard to fight alcohol abuse, as witnessed by the most recent testifiers. The manufacturers also promote anti-alcohol abuse messages regularly on TV and radio - programs such as paying for taxi rides, designated-driver education programs and messages, [and] speeches. ...

The retailers ... have supported numerous programs that have impacted these numbers since forever - holiday media warnings and radio messages; the TAM program - techniques of alcohol management - which is run by the CHARR association; taxi rides, again; lobbying for House Bill 68 that was mentioned; or House Bill 214, which is the civil fines for underage drinkers; donations to youth court; community giving that exceeds hundreds of [thousands of] dollars by all organizations in the community.

The distributors are doing the same thing: working with their retailers to support all these programs; having their own holiday messages that promote safe drinking and driving, or safe consumption of alcohol; taxi cab programs; youth court donations; Boys and Girls Clubs; community sport. And many of the events that you attend in your communities, the alcohol you consume has been donated or supplied by industry members.

K & L distributing is involved in regular, quarterly programs, whether it's "good sport" programs ... [or] "We ID" programs, which [are] national programs that educate retailers on proper identification; safe snowmobiling and skiing brochures and programs; family talk on drinking; [and] designated-driver education programs. We've had speakers that have come to the schools in the past. In fact, the Anchorage School District refused to have a speaker speak to the

students about drunken driving who was a registered nurse, because the money came from K & L Distributing to support that.

House Bill 225 does not solve any problems. It taxes responsible citizens and businesses for the abuse of a few. There has been no industry support for this bill, and that's because we believe it will not fight any alcohol abuse problems in Alaska or anywhere. The industry feels that the higher cost of our product will not stop any alcohol abuse in the community.

CHAIR MURKOWSKI remarked that the industry is responsible in many ways; however, the problem is that the product in the industry is a legal drug that can be used irresponsibly by many people. She remarked that testimony at yesterday's hearing was interesting which stated that 20 percent of individuals who drink, drink irresponsibly.

MR. GRASSE recalled that it was that 20 percent of the consumers consume 80 percent of the alcohol in the state.

Number 0147

CAROL JACKSON, Credit Manager, K & L Distributors, testified via teleconference. She stated that approximately 50 percent of her customers purchase their alcohol on a COD (cash on delivery) basis. She expressed concern that such a large increase will force many small businesses to close. Many small towns don't have the financial resources to qualify for credit terms, which would put an immediate hardship on [small businesses] just to get their product in the door - their cash outlay would increase dramatically. She thinks [the legislature] should question whether this dramatic tax increase is going to benefit just a few people at the expense of many, she said - not just a monetary expense, but closing of business doors and the effect unemployment will have on families.

CHRIS ANDERSON, Owner, Glacier Brewhouse and Restorante Orso, testified via teleconference. Currently, he told members, he does approximately \$2 million in annual sales in alcoholic beverages. A 10 percent reduction caused by [HB 225] would reduce his sales by \$200,000 annually. He employs 225 people, and without terminating much of his staff, he would have to look at alternate means to finance this cost; he indicated one means would be eliminating the \$50,000 a year he donates in the community to civic [organizations].

MR. ANDERSON remarked that this would definitely put a divide in the local brewing industry. The additional new tax of \$16 on a keg of beer would raise the price at which he currently sells to \$131 dollars. He added that he is supportive of a small tax increase, but thinks [the committee] needs to look at the industry as a whole and realize that the contributions that are really making a difference are working now; it is not the government that has lowered these statistics.

Number 040

KACE McDOWELL, Executive Director, Anchorage Cabaret Hotel Restaurant & Retailer Association (CHARR), testified via teleconference. She remarked that it should be recognized that there is direct cash [from CHARR to help the programs mentioned]. For example, CHARR alone has thousands of dollars in its budget this year to help with the new FAS program for educating the public. She noted that when allowed to do these kinds of donations on their own, they know exactly where it goes. Higher taxes, however, would crimp membership; crimp the amount of money CHARR has, to give back to the community; and stop programs because [CHARR] will no longer be able to participate.

TAPE 01-56, SIDE A  
Number 0013

MS. McDOWELL offered that [CHARR] has one of the main programs that has helped to stop drinking and driving by irresponsible people, as well as underage drinking. She thinks the TAM program has been more responsible than any other program in the state, she said, and it doesn't cost the state a dime.

MS. McDOWELL referred to House Bill 68, relating to a program started in Anchorage with the Anchorage Downtown Partnership, CHARR, taxi drivers, and Anchorage Downtown License Beverage Association; what also distresses her is the \$250 million being spent in the state, Ms. McDowell said, suggesting that committee members become familiar with it. She added that she knows most of the programs don't work.

ANNE SCHULTZ, Research Analyst, Advisory Board on Alcoholism & Drug Abuse, Department of Health & Social Services, came forth to explain the \$250 million figure. It comes from two areas. In 1989, the office of alcoholism for the state updated a 1975 survey; that \$250 million study dealt with the broad range of

government services impacted by alcohol. In the meantime, there have been a number of national studies. Although [Alaska's] consumption is higher and [Alaskans'] dependence is higher, [the board] took national numbers and "normed" them for what is known about Alaska consumption. That number is also in the \$250 million range. Those numbers, which came out in 1998 in a study commissioned by the National Institutes of Health by the Lewin Group, had 1992 data.

MS. SCHULTZ reported that in each case the impact on Alaska was about \$250 million. The [board] feels that is strong corroboration for using the \$250 million figure, which is now about eight years old. She noted that yesterday [the board] received two small Alaska Mental Health Trust grants and is going to contract - for \$32,000 - with one of Alaska's premier economic-impact consulting firms to take that \$250 million and make it as accurate as possible.

REPRESENTATIVE HALCRO asked Ms. Schultz how much money was originally needed to do the study [that the board has just receive grants for].

MS. SCHULTZ responded that the study that [the board] would have liked to have had was a major study; however, that's not possible. By narrowing their expectations and building on the strength of what is already known, [the board] can take the next step. The first compromise [the board] made with the Alaska Mental Health Trust was two years at \$75,000 a year; however, they didn't make that.

REPRESENTATIVE HALCRO asked when [the board] should have the final report.

MS. SCHULTZ answered, six months.

Number 0182

CHAIR MURKOWSKI called an end to public testimony on HB 225. She noted that Representative Rokeberg would be offering an amendment at the next hearing.

[HB 225 was held over.]

**ADJOURNMENT**

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 7:26 p.m.