

HOUSE FINANCE COMMITTEE  
February 7, 2005  
1:35 P.M.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [1:35:56 PM](#).

MEMBERS PRESENT

Representative Mike Chenault, Co-Chair  
Representative Kevin Meyer, Co-Chair  
Representative Bill Stoltze, Vice-Chair  
Representative Richard Foster  
Representative Mike Hawker  
Representative Jim Holm  
Representative Reggie Joule  
Representative Mike Kelly  
Representative Carl Moses

MEMBERS ABSENT

Representative Eric Croft  
Representative Bruce Weyhrauch

ALSO PRESENT

Mike Pawlowski, Staff, Representative Kevin Meyer; Barbara Huff-Tuckness, Director, Legislative and Governmental Affairs, Teamsters Local 959, Anchorage

PRESENT VIA TELECONFERENCE

Representative Vic Kohring, Anchorage; Doug Griffin, Director, Alcohol Beverage Control Board (ABC), Anchorage; Kevin Hand, Arctic Power, Anchorage; Gail Phillips, Arctic Power, Anchorage; Mike Navarre, Arctic Power, Kenai; Bob Klein, Brown Jug Warehouse, Anchorage

SUMMARY

HB 15        An Act relating to seasonal alcoholic beverage licenses; and providing for an effective date.

CS HB 15 (L&C) was reported out of Committee with "individual recommendations" and with zero note #1 by the Department of Fish & Game and fiscal note #2 by the Department of Public Safety.

HB 32 An Act making a special appropriation for a grant to Arctic Power to promote the opening of the Arctic National Wildlife Refuge for oil and gas exploration and development; and providing for an effective date.

HB 32 was HEARD and HELD in Committee for further consideration.

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#HB32

HOUSE BILL NO. 32

An Act making a special appropriation for a grant to Arctic Power to promote the opening of the Arctic National Wildlife Refuge for oil and gas exploration and development; and providing for an effective date.

Co-Chair Meyer stated that it was not his intent to move the bill from Committee at this time.

REPRESENTATIVE VIC KOHRING (TESTIFIED VIA TELECONFERENCE), SPONSOR, explained that HB 32 would provide a grant to Arctic Power. He pointed out the current make-up of the Arctic Power with Kevin Hand and previous House Speaker Gail Phillips.

Representative Kohring stated that the Alaska National Wildlife Refuge (ANWR) carries great importance for the state of Alaska with the potential to carry ten billion barrels of recoverable oil. There could be additional oil and gas along the way.

HB 32 appropriates \$1.2 million dollars from the General Fund to Arctic Power for use in promoting the opening of the Arctic National Wildlife Refuge (ANWR) by Congress for oil and gas development. The legislation includes a General Fund appropriation of \$100 thousand dollars to the Native village of Kaktovik for their community outreach effort to gain support for the opening of the refuge.

Representative Kohring advised that with declining oil revenues, it is imperative that Alaska develops new fields. ANWR is the best prospect for future oil and gas development in the State and Nation.

The appropriation assists in reaching the goal of opening that region. In addition, oil and gas exploration and development of the coastal plain and adjacent land could result in major unforeseen discoveries that would help reduce the Nation's future need for imported oil, help balance the trade deficit and improve national security. He

added that Arctic Power will use the funding to advocate the importance of oil and gas production from Alaska's North Slope. Arctic Power is a non-profit private group, which has been in existence for 12 years and has received previous State funding for lobbying efforts.

Representative Kohring urged passage of the bill.

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GAIL PHILIPS, (TESTIFIED VIA TELECONFERENCE), ARCTIC POWER, ANCHORAGE, advised that for at least the last ten years, the Legislature, the Administration, the Alaska Congressional delegation and the people of Alaska have worked long and hard to get the need of opening ANWR to the forefront of public debate. All major development projects in Alaska take an extra long period of time. She reported that now the time seems to be right to make ANWR happen. The U.S. Congressional delegation has requested that Arctic Power focus their lobbying efforts during the next several months on the U.S. House of Representatives. Arctic Power has strong support from the leadership of the House. Opening ANWR also has strong support from the Secretary of Energy and the Secretary of the Interior. President Bush's FY07 budget contains anticipated income figures of \$2.5 billion dollars from ANWR. She reiterated strong federal support for the project.

Ms. Phillips stressed that Arctic Power is requesting that the House Finance Committee follow in the footsteps of previous legislators in approving the proposal and providing it in a timely manner. She stressed that the timeline for the work is right now and the money is needed to accomplish this necessary work in Congress. She pointed out that Representative Weyhrauch is in Washington D.C. at this time, lobbying for ANWR.

Ms. Phillips voiced her appreciation for being able to testify on the appropriation request and reiterating the request for early funding.

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Representative Joule pointed out that there is not full statewide support for the legislation. He asked if the State was involved in a "stuffing" effort at this time. Ms. Phillips acknowledged that there is tremendous effort in not having the legislation pass. She emphasized the need for funding to stop those efforts. She stressed that the proposal before the Committee indicates that the "stuffing" could make the difference in whether it happens; however, the funds are not in hand to get things moving. She cautioned that it would take two to three months of advocacy work to position the State for a favorable vote.

Co-Chair Meyer asked when Arctic Power anticipates the U.S. Congress to discuss ANWR concerns. Ms. Philips thought that would be in May 2005.

Co-Chair Chenault inquired about discussions occurring with the U.S. Congressional delegation and the coordination of those efforts. Ms. Phillips advised that she had met with the Alaska delegation before session started. The U.S. Congressional delegation recommended that Arctic Power focus their efforts in the U.S. House of Representatives and the states with new congressmen.

Representative Kelly noted that he had not heard about the \$100 thousand dollar contribution to Kaktovik, asking if it was justified. Ms. Philips replied that it was definitely justified; the funding would help them prepare for the influx of business coming into that small community.

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KEVIN HAND, (TESTIFIED VIA TELECONFERENCE), ARCTIC POWER, ANCHORAGE, provided details on the Kaktovik budget. He noted that historically, the \$100 thousand dollars was split and \$50 thousand dollars would go to the Native village of Kaktovik and the remaining amount would go to the City of Kaktovik. In the past, the money was used for advocacy and education efforts and to help defer other expenses they incur. Kaktovik is the "back yard" of the area to be developed.

Representative Kelly understood that the money was to be used as a support for the lobbying. Mr. Hand agreed that was correct.

Representative Joule commented that he recently participated in the economic summit with the Governor and that community. He noted that the community of Kaktovik is "pumped". The funding will help offset expenses, as more business is funneling into that small community. He emphasized that all entities are working cooperatively. Representative Joule added that he would provide an amendment to address some concerns.

Ms. Philips interjected that U.S. Secretary Norton has scheduled a major tour of the area for March 2005.

Vice-Chair Stoltze indicated that the village of Kaktovik is not asking too much for the value and credibility that they are bringing to the table. Such actions reflect how important they are to the lobbying effort; the village is currently spending beyond their resources and that the \$100 thousand dollar request is minimum.

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MIKE NAVARRE, (TESTIFIED VIA TELECONFERENCE), EXECUTIVE BOARD, ARCTIC POWER, KENAI, stressed that the gas line will provide opportunity for the State of Alaska. He stated that the State has done an excellent job in educating people nationally, pointing out that the effort is now at a critical point. He acknowledged the forces opposing development for ANWR commenting on the misrepresentation occurring in that circle.

Arctic Power has always worked closely with the U.S. Congressional delegation. He encouraged State legislators to "stay the course" this year, believing that it will pass nationally. He stressed that the appropriation is an investment for the future of Alaska. He urged that the legislation pass as soon as possible as it carries such a high potential. Mr. Navarre offered to answer questions of the Committee.

Representative Hawker pointed out that this year Arctic Power is focusing their efforts in the U.S. House of Representatives. He asked about Congressman Nussle, Chair of the U.S. Budget Committee. Ms. Phillips responded that he is getting a lot of pressure from environmentalist and constituents from his State but she believed that he ultimately would not be the one to control the issue. She did not know his thoughts on the issue at this time.

Mr. Navarre interjected that the reason that there is so much focus on the House Finance Committee, it to keep it out of the U.S. budget reconciliation process as the opposition knows that there currently is not likely 60-votes in the U.S. House to pass ANWR as a separate bill. On the U.S. Senate side, Alaska has Senator Ted Stevens, who is quite capable of handling it there.

KEVIN HAND, (TESTIFIED VIA TELECONFERENCE), ARCTIC POWER, ANCHORAGE, echoed statements made by Ms. Phillips and Mr. Navarre. He reiterated that there are many environmental groups lobbying against passage of ANWR legislation. However, he pointed out that there is one primary group advocating for ANWR in Washington D.C., Arctic Power. He urged funding for the legislation.

BARBARA HUFF-TUCKNESS, DIRECTOR, LEGISLATIVE AND GOVERNMENTAL AFFAIRS, TEAMSTERS UNION LOCAL 959, ANCHORAGE, acknowledged for the record that the Teamsters Union does support the legislation and Arctic Power. She added that she was a member of the Arctic Power Board.

Ms. Huff-Tuckness pointed out that Arctic Power is not a State funded entity and without the passage of the legislation, it would be difficult to "push" for the opening

of ANWR. Teamsters Union Local 959 advocate for the legislation, as dollars resulting from opening ANWR will come to the State and are important for working people.

Ms. Huff-Tuckness acknowledged that some of the political pressures over the years have slowed down the process. She believed that the concern is now timely and that there has been much discussion, debate and education over the issue. Moving through the budget process helps that concern, which is a positive process. She hoped that it would succeed this year, as it will benefit every working person statewide.

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Vice-Chair Stoltze noted criticism that some of the industry players have pulled out. He did not see that as a problem as some of their interests are not the same as that of the State. Ms. Huff-Tuckness commented on behalf of the Teamsters, noting that their support is on the table for any resource development done in the State provided it is done in a safe manner. The success story is in Prudhoe Bay. For the Teamsters Union, it is about jobs, local hire and bringing economic development to the State of Alaska. She reiterated support for any important economic development opening up in Alaska. Ms. Huff-Tuckness reiterated that there is an opportunity to move forward to develop the resources; the Teamsters see it as a training opportunity for construction and maintenance workers. The Teamsters Union will continue to fight for those efforts.

Vice-Chair Stoltze stated that he wanted organized labor's commitment for the project on the record.

Representative Kelly commented that in the past, there had been funding assistance and match monies and asked how that would affect the current \$1.3 million dollar request. Mr. Hand advised that the private dollars that Arctic Power brings in would work in concert with public money. He noted that the total budget was a little more than \$3 million dollars. Arctic Power has been successful raising private money, which demonstrates the newfound optimism resulting since the presidential election. The focus now is on Washington D.C. and that 45% of Arctic Power's total budget will be utilized for that effort. Mr. Hand advised that currently, Congressman Young is in Seattle, attempting to educate that State regarding the advantages of the project.

HB 32 was HELD in Committee for further consideration.

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#HB15  
HOUSE BILL NO. 15

An Act relating to seasonal alcoholic beverage licenses; and providing for an effective date.

MIKE PAWLOWSKI, STAFF, REPRESENTATIVE KEVIN MEYER, provided an overview of HB 15. He noted that there are two distinct sections to the bill.

The primary purpose of the bill is to create an alcoholic beverage license for outdoor recreation lodges. He noted that at present time, lodge owners provide alcoholic beverages to their guests by either:

- Encouraging guests to bring their own, or
- Providing alcoholic beverages free of charge during meals, or
- Selling alcoholic beverages illegally.

That creates a difficult situation for lodge owners and the wholesale or package store seller to that lodge.

Mr. Pawlowski continued, under the current system, a lodge wishing to sell and provide alcoholic beverages to their guests must obtain both an alcohol dispensary license and a package store license, since licenses are limited based on population, many lodge owners cannot obtain a license even if they wanted to. HB 15 would create a new alcoholic beverage license for outdoor recreation lodges.

He continued, HB 15 would limit the license by:

- Allowing a licensee to serve only their overnight guests and off-duty-staff, or
- Expressly stating that the license may not be transferred.

Licenses would cost \$1,250 for two years, as opposed to the current \$4,000 cost. Under AS 04.11.680, a licensee may obtain a "seasonal" half-price license. He pointed out that the fiscal note is positive, assuming very few lodges will actually get the license.

Mr. Pawlowski added that the second part of the bill is found in Section 3, an amendment offered by Representative Rokeberg in the House Labor and Commerce Committee, which exempt licenses issued under the old public convenience statute from the current prohibition on transfers. The action would allow the last existing license issued under the former statute to be transferred with the same limitations on a transfer found in the current statute.

The Alcohol Beverage Control (ABC) Board testified in the House Labor and Commerce Committee that they supported the amendment and it passed without objection.

Mr. Pawlowski summarized that HB 15 provides an opportunity for lodge owners to develop another revenue stream for their business, while providing a legal service to the guests.

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Representative Joule referenced Section 4. He asked how that language would impact a community that has the local option. Mr. Pawlowski advised that the local option under Chapter 4 always supercedes the licensing in the statutes.

DOUG GRIFFIN, (TESTIFIED VIA TELECONFERENCE), DIRECTOR, ALCOHOL BEVERAGE CONTROL (ABC) BOARD, ANCHORAGE, explained that the ABC Board has known that some lodges operating in the State have been doing it illegally, noting that it has been difficult to police. Licensing the entity will be an improvement and the Board looks forward to working with that new type of license. There are more and more lodges springing up every year and there needs to be proper training for staff. He offered to answer questions of the Committee.

Mr. Griffin acknowledged that the fiscal impact was difficult to determine, as the Board had to make assumptions regarding how many lodges there are and how many would want to participate in the program. The ABC Board continues to believe that the legislation would generate income for the State.

Vice-Chair Stoltze commented that liquor licenses go through a local review process and assumed that would happen in the unorganized areas also. Mr. Griffin explained that would be difficult to determine. There are some lodges in Vice Chair Stoltze's area that are remote that could qualify. The ABC Board continues to see licenses going through the local review process as part of their renewal package. He suspected that most would be in the unorganized boroughs.

Vice-Chair Stoltze asked if a second-class borough had the authority to regulate alcohol licenses. Mr. Griffin responded that there is a role for local governments to place. In the Mat-Su Borough, the Assembly has chosen a unique force of action for delegating that responsibility to their planning department. In most cases, every two years, every license comes before the local Assembly.

Vice-Chair Stoltze commented that he was not suggesting that the local process is not flawed and/or political. He did not believe that most of the lodges wanted to get involved in outside sales. He asked if there was some level of

public interest. Mr. Griffin explained that there are a number of different processes that must be passed through. In an unorganized area, Title 4, there is a petition requirement to show support for the local license in the surrounding areas. There are requirements that a petition process be followed before the license can be issued.

Vice-Chair Stoltze inquired if the structures would have to be permanent to qualify. Mr. Griffin replied that had not been defined but there would be discretion regarding each of the circumstances. He did not think it was essential and that each would have to meet certain criteria.

Vice-Chair Stoltze speculated that this would not be a moneymaker for the State except perhaps through the fees paid.

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Co-Chair Meyer explained that he had brought the bill forward from recommendations received by the Brown Jug Warehouse. They had concerns that some of lodges were selling alcohol without a license. Co-Chair Meyer believed that if a levy were charged for the alcohol, it would provide new revenue for the State. He understood that the administration was handled through the Department of Public Safety, State Troopers. Co-Chair Meyer envisioned that they would handle the enforcement also.

Co-Chair Meyer pointed out that there has been concern that "bars" would be set up in some remote areas. In order to be served, a guest would be required to spend at least one night. He inquired if the ABC Board was comfortable with the language as currently written. Mr. Griffin replied that they were comfortable with that language.

Co-Chair Meyer asked about the amendment adopted by the House Labor and Commerce Committee. Mr. Griffin stated that it was reviewed and that it would not present any problems for licensing.

In response to a request by Co-Chair Meyer, Mr. Griffin discussed the effect of the Rokeberg amendment. He advised that there currently exists a public convenience license; these licenses are not transferable because they are beyond the quota. He addressed the anomaly of the law and the history of transferring.

Co-Chair Meyer questioned if a lodge could serve alcohol to guests and then add the price to their room rate. Mr. Griffin replied they could not; it would be contrary to Title 4.

Vice-Chair Stoltze asked if it would be a non-transferable license. Mr. Griffin replied that there is a limitation making it non-transferable. There was concern expressed if a lodge were sold, the new owner then has to apply for a new license.

Representative Hawker inquired how the drafters determined the \$1,250 dollar amount. Mr. Pawlowski replied that the detail in determining that figure was arrived at by looking at the cost of a full beverage-dispensing license and then dividing it. It's assumed that would be a reasonable level a small business could afford.

Representative Hawker inquired about the drop in fee for seasonal places. Mr. Pawlowski discussed that seasonal licensing was addressed in AS 04.11.680.

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BOB KLEIN, (TESTIFIED VIA TELECONFERENCE), BROWN JUG WAREHOUSE, ANCHORAGE, explained that he is currently wearing three hats as the Operations Manager for Brown Jug, Chairman of the Alaska Cabaret Hotel and Restaurant Retail Association (CHARR) Government Affairs Committee and alumni of the ABC Board. He provided background history of the bill. He explained how his business deals with customers in Bush Alaska who have been involved in illegal alcohol activities. Mr. Klein discussed the benefits and privileges related to the legislation and mentioned that there have been no objections regarding non-transferability. He stated that it is a good bill as it closes the gap and answers statewide need for alcohol licensing.

Representative Foster MOVED to report CS HB 15 (L&C) out of Committee with individual recommendations and with the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

CS HB 15 (L&C) was reported out of Committee with "individual recommendations and with zero note #1 by the Department of Fish & Game and fiscal note #2 by the Department of Public Safety.

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ADJOURNMENT

The meeting was adjourned at 2:45 P.M.