

ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE

March 3, 2005

1:34 p.m.

MEMBERS PRESENT

Senator Con Bunde, Chair
Senator Ralph Seekins, Vice Chair
Senator Ben Stevens
Senator Johnny Ellis

MEMBERS ABSENT

Senator Bettye Davis

COMMITTEE CALENDAR

Confirmation Hearings:

Board of Public Accountancy:

Max Mertz - Juneau
Catherine Wilson - Tok

Regulatory Commission of Alaska:

Anthony Price -Anchorage

CS FOR HOUSE BILL NO. 15(L&C) am

"An Act relating to outdoor recreation lodge alcoholic beverage licenses; relating to transfer of certain beverage dispensary licenses issued before June 6, 1985; and providing for an effective date."

HEARD AND HELD

HOUSE BILL NO. 90

"An Act requiring warrants drawn by the Department of Administration against the state treasury to be negotiable instruments."

HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 15

SHORT TITLE: LIQUOR LICENSES: OUTDOOR REC. LODGE/BARS

SPONSOR(S): REPRESENTATIVE(S) MEYER

01/10/05 (H) PREFILE RELEASED 12/30/04
 01/10/05 (H) READ THE FIRST TIME - REFERRALS
 01/10/05 (H) L&C, FIN
 01/24/05 (H) L&C AT 3:15 PM CAPITOL 17
 01/24/05 (H) Heard & Held
 01/24/05 (H) MINUTE(L&C)
 01/31/05 (H) L&C AT 3:15 PM CAPITOL 17
 01/31/05 (H) Moved CSHB 15(L&C) Out of Committee
 01/31/05 (H) MINUTE(L&C)
 02/02/05 (H) L&C RPT CS(L&C) NT 5DP 1NR
 02/02/05 (H) DP: LYNN, KOTT, LEDOUX, ROKEBERG,
 ANDERSON;
 02/02/05 (H) NR: GUTTENBERG
 02/04/05 (H) CORRECTED CS(L&C) NT RECEIVED
 02/07/05 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 02/07/05 (H) Moved CSHB 15(L&C) Out of Committee
 02/07/05 (H) MINUTE(FIN)
 02/09/05 (H) FIN RPT CS(L&C) NT 4DP 4NR
 02/09/05 (H) DP: FOSTER, HAWKER, MEYER, CHENAULT;
 02/09/05 (H) NR: MOSES, HOLM, KELLY, STOLTZE
 02/22/05 (H) TRANSMITTED TO (S)
 02/22/05 (H) VERSION: CSHB 15(L&C) AM
 02/23/05 (S) READ THE FIRST TIME - REFERRALS
 02/23/05 (S) L&C, FIN
 03/03/05 (S) L&C AT 1:30 PM BELTZ 211

BILL: HB 90

SHORT TITLE: STATE TREASURY WARRANTS

SPONSOR(S): STATE AFFAIRS

01/21/05 (H) READ THE FIRST TIME - REFERRALS
 01/21/05 (H) L&C, STA
 02/02/05 (H) L&C AT 3:15 PM CAPITOL 17
 02/02/05 (H) Moved Out of Committee
 02/02/05 (H) MINUTE(L&C)
 02/04/05 (H) L&C RPT 5DP
 02/04/05 (H) DP: LYNN, KOTT, LEDOUX, GUTTENBERG,
 ANDERSON
 02/08/05 (H) RULES TO CALENDAR PENDING REPORT
 02/08/05 (H) STA AT 8:00 AM CAPITOL 106
 02/08/05 (H) Moved Out of Committee
 02/08/05 (H) MINUTE(STA)
 02/09/05 (H) STA RPT 7DP
 02/09/05 (H) DP: GARDNER, LYNN, GATTO, GRUENBERG,
 RAMRAS, ELKINS, SEATON
 02/09/05 (H) TRANSMITTED TO (S)

02/09/05 (H) VERSION: HB 90
02/10/05 (S) READ THE FIRST TIME - REFERRALS
02/10/05 (S) L&C, STA
02/10/05 (S) L&C RPT RECD W/CS AWAIT TRANSMITTAL NXT
03/03/05 (S) L&C AT 1:30 PM BELTZ 211

WITNESS REGISTER

Max Mertz

Juneau, AK

POSITION STATEMENT: Alaska State Board of Public Accountancy
Confirmation Nominee

Catherine Wilson

Tok, AK

POSITION STATEMENT: Alaska State Board of Public Accountancy
Confirmation Nominee

Anthony Price

Anchorage, AK

POSITION STATEMENT: Regulatory Commission of Alaska
Confirmation Nominee

Representative Kevin Meyer

Alaska State Capitol

Juneau, AK 99801-1182

POSITION STATEMENT: Sponsor of HB 15.

Doug Griffen, Director

Alcoholic Beverage Control Board (ABC)

Anchorage AK

POSITION STATEMENT: Supported HB 15.

Bob Kline, Operations Manager

Brown Jug Liquor Stores

Anchorage AK

POSITION STATEMENT: Supported HB 15.

Representative Max Gruenberg

Alaska State Capitol

Juneau, AK 99801-1182

POSITION STATEMENT: Presented HB 90 for the House State Affairs
Committee.

Kim Garnerero, Director

Division of Finance

Department of Administration

PO Box 110200
Juneau, AK 99811-0200
POSITION STATEMENT: Supported HB 90.

ACTION NARRATIVE

CHAIR CON BUNDE called the Senate Labor and Commerce Standing Committee meeting to order at [1:34:16 PM](#). Present were Senators Ben Stevens, Seekins, Ellis and Chair Bunde.

CONFIRMATION HEARING(S)

CHAIR CON BUNDE announced the first order of business to come before the committee was confirmation hearings.

Alaska State Board of Public Accountancy: Max Mertz - Juneau

MAX MERTZ said he is a partner with the accounting firm of Elgee Rehfeld Mertz. He said he wants to be on the State Board of Public Accountancy because it is a good way to serve the profession and he is interested in the relationship between the board and the state.

SENATOR ELLIS noted that Mr. Mertz has a good record according to the Website, Google.

CHAIR BUNDE applauded the board for its internal regulation.

[1:38:18 PM](#)

Alaska State Board of Public Accountancy: Catherine Wilson - Tok

CATHERINE WILSON, former business manager of the Alaska Gateway School District, noted her work experience and expressed enthusiasm for her role on the Board of Public Accountancy.

[1:40:06 PM](#)

CHAIR BUNDE asked what major issues the board is dealing with and if there are any conflicting issues between the board and accounting professionals.

MS. WILSON answered that there are no issues that she is aware of.

Regulatory Commission of Alaska: Anthony Price - Anchorage

ANTHONY PRICE, nominee for the Regulatory Commission of Alaska (RCA), noted his background in public accounting and management.

[1:42:07 PM](#)

CHAIR BUNDE asked him to relate his perspective of his role on the board and if there were outstanding major issues before it.

MR. PRICE said here are outstanding issues in the form of the dockets, but he cannot address them in a public forum. He said he brings financial and business experience and his concern for the betterment of the state to the position. He has a unique perspective on balance between utilities infrastructure and low rates.

[1:44:11 PM](#)

CHAIR BUNDE asked if he supports continuing competition in the telecommunication industry in Alaska.

MR. PRICE answered that he supports competition and the move to deregulation. He said it is still a challenging area.

CHAIR BUNDE noted that the committee would pass his name on to the full legislative body.

[1:45:45 PM](#)

HB 15-LIQUOR LICENSES: OUTDOOR REC. LODGE/BARS

CHAIR BUNDE announced HB 15 to be up for consideration.

REPRESENTATIVE KEVIN MEYER, sponsor of HB 15, said the purpose of this bill is to create an alcoholic beverage license for outdoor recreation lodges. Currently, lodge owners who want to serve alcohol try to get a dispensary license costing about \$2,500. A guided group on a boat would need a package license, which is another \$1,500. All totaled, it would cost \$4,000 to serve a drink with a meal and allow alcohol on the boat. These types of licenses are based on population and a lodge might not be able to afford to get one even if it is available. It is a very burdensome situation for many small lodges. Some lodges currently circumvent this by telling clients to bring their own alcohol, sell it to them illegally, or provide it and charge for it as part of the room rate, which is illegal.

[1:48:17 PM](#)

REPRESENTATIVE MEYER said this creates problems for wholesale people who provide alcohol to rural areas. In fact, a wholesaler brought this issue to his attention. Without licenses for selling alcohol to remote lodges there is a lack of input from

the local community. Also, if licensing is required, TAMS training is provided.

He said the definition of an outdoor recreation lodge means, "A business that provide over-night accommodations, meals and is primarily involved in offering opportunities for persons to engage in outdoor recreation activities." He noted that the key to this license is approval from the Alcohol Beverage Control Board (ABC), which provides greater oversight and training.

He explained that currently lodges can only serve alcohol to guests of off-duty staff and over-nighting guests; licenses are non-transferable. The licenses would cost \$1,250 every two years, which would indicate a positive fiscal note - as the state doesn't get anything currently. The ABC board is part of the Division of Public Safety, which would make state troopers and fish and game officers available for enforcement.

[1:51:26 PM](#)

REPRESENTATIVE MEYER noted that part 2 is an amendment offered by Representative Rokeberg that would allow the transfer of licenses in place prior to 1985 to family members who are inheriting a business as long as it stays at the premises. This was in reference to The Double Muskie Inn in Girdwood, Alaska. Cabaret, Hotel, Restaurant and Retailers Association (CHARR), ABC and lodges that they spoke to support this bill.

CHAIR BUNDE asked if everybody who works at the lodge would have a TAMS card.

REPRESENTATIVE MEYER deferred the answer to that question to Doug Griffin.

CHAIR BUNDE said he would hold the question for him and asked what would prevent mom and pop gas stations that serve snow mobilers up at Cantwell from putting up a cabin out back and saying they are providing overnight recreation saying they serve alcohol.

REPRESENTATIVE MEYER answered that it must have at least two beds and the people being served must stay over night. Those businesses would be eligible to apply for this license, but it must go through a community hearing process and be reviewed every two years.

CHAIR BUNDE asked how lodges in remote locations would have a hearing in a community.

REPRESENTATIVE MEYER replied that AS 4.11.460 says:

Within 50 miles of the borders of the municipality, the licensee must get signatures from a majority of the residents within one mile of the proposed location....

Another section says 50 miles or more from the boundaries of a municipality, the licensee must get signatures from two-thirds of the permanent residents within a five-mile radius of the nearest post office.

[1:54:45 PM](#)

DOUG GRIFFEN, Director, Alcoholic Beverage Control Board (ABC), supported HB 15 saying it is a balanced and well-constructed bill. He knows that this could put licenses out in rural Alaska where there are lots of concerns about alcohol abuse. He thinks it is critical to limit serving alcohol to registered overnight guests only. This bill will provide regulation and enforcement to currently unregulated and unenforced activity. He noted that alcohol server training is important and should be given to all potential servers.

[1:57:08 PM](#)

MR. GRIFFIN noted the narrowing affect of amendment and his concern about making the license a general dispensary one. He pointed out that lodge owners can apply for a broader license.

CHAIR BUNDE said the license cost of \$1,250 is fairly substantial and asked how this fee relates to the cost of processing it.

MR. GRIFFIN replied that the fee is one-half the cost of a beverage dispensary license and provides more revenues than needed for processing. However, he said that oversight and enforcement is expensive, but is more difficult to quantify because of those people being paid out of the general fund. "I think the amount it could be argued might be too much for a very small lodge and maybe too little for a large one, but I think it's a reasonable figure."

[1:59:44 PM](#)

REPRESENTATIVE MEYER pointed out the similarity to club license fees, which are \$1,200 and package store license fees, which are \$1,500.

[2:01:24 PM](#)

CHAIR BUNDE said that the Finance Committee would be interested in knowing the cost of administering the license program.

BOB KLINE, Operations Manager, Brown Jug Liquor Stores in Anchorage, said he spent 12 years as a member of ABC board and is current chairman of the Government Affairs Committee for Alaska CHARR. His conversations with Representative Meyer led to this legislation, which he supports.

[2:03:09 PM](#)

CHAIR BUNDE thanked him for his testimony, closed the public hearing and held the bill for another hearing in the near future.

HB 90-STATE TREASURY WARRANTS

CHAIR BUNDE announced HB 90 to be up for consideration.

[2:03:44 PM](#)

REPRESENTATIVE MAX GRUENBERG, said he is here on behalf of the House State Affairs Committee, which introduced HB 90. This bill codifies the National Bank of Alaska v. Univentures 1231, 824 P.2nd 1377 (Alaska 1992) case, a Supreme Court decision that makes treasury warrants negotiable instruments under the Uniform Commercial Code (UCC). Up until that time, the state had taken the position treasury warrants were not negotiable instruments, so banks were free to dishonor them.

[2:05:09 PM](#)

Banks were left without recourse when they would cash someone's treasury warrant and then the state would later say for some reason it wasn't honoring it. In the Univentures case, the Alaska Supreme Court said, following a number of other state litigating similar issues, that treasury warrants are negotiable instruments. He was not aware of any opposition.

CHAIR BUNDE asked in what situation would the state not honor a treasury warrant.

[2:06:36 PM](#)

REPRESENTATIVE GRUENBERG related the Univentures case was a case in point. The state leased a property that was owned by a joint venture or a partnership. The people involved in the ownership had a falling out and because they litigated amongst themselves, they asked the state to put a stop payment on the warrants. In the meantime, the state had given a treasury warrant to one of

the litigants. That person negotiated the warrant; the bank paid it and then the bank sent it through the channels. By that time, the state had received the word to not honor it.

Another situation where it could have arisen would have been if a vendor had delivered some goods to the state; the state wrote a warrant and then for some reason found the goods or services to be defective. They could have technically dishonored it and because they are treasury warrants, the state could take the position of stopping payment.

[2:08:05 PM](#)

CHAIR BUNDE said that basically the bill is telling the state that it cannot stop payment.

REPRESENTATIVE GRUENBERG responded that it can do that, but only under the rules of the UCC - that say you can stop payment, but you must notify the bank in a reasonable time, so that the bank will have notice before it cashes the check. Once you have given proper notice you must dishonor the draft, but if you haven't given proper notice, you have to honor it.

KIM GARNERO, Director, Division of Finance, Department of Administration, supported previous testimony saying that this bill simply codifies in law a 1992 ruling by the Alaska Supreme Court.

CHAIR BUNDE said it is the practice of the committee to not pass a bill after the first hearing and that he would hold it for another hearing at a future date. He adjourned the meeting at [2:11:42 PM](#).