

ALASKA STATE LEGISLATURE
SENATE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

March 6, 2007

3:34 p.m.

MEMBERS PRESENT

Senator Donny Olson, Chair
Senator Albert Kookesh, Vice Chair
Senator Joe Thomas
Senator Gary Stevens

MEMBERS ABSENT

Senator Thomas Wagoner

COMMITTEE CALENDAR

HOUSE BILL NO. 34

"An Act relating to sales of wine by a winery licensee."

MOVED HB 34 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 34

SHORT TITLE: SALES BY WINERY LICENSEE

SPONSOR(S): REPRESENTATIVE(S) LEDOUX

01/16/07	(H)	PREFILE RELEASED 1/5/07
01/16/07	(H)	READ THE FIRST TIME - REFERRALS
01/16/07	(H)	L&C, FIN
01/29/07	(H)	L&C AT 3:00 PM CAPITOL 17
01/29/07	(H)	Moved Out of Committee
01/29/07	(H)	MINUTE(L&C)
01/30/07	(H)	L&C RPT 5DP
01/30/07	(H)	DP: GARDNER, GATTO, RAMRAS, LEDOUX, OLSON
02/07/07	(H)	FIN AT 1:30 PM HOUSE FINANCE 519
02/07/07	(H)	Moved Out of Committee
02/07/07	(H)	MINUTE(FIN)
02/08/07	(H)	FIN RPT 7DP 3NR
02/08/07	(H)	DP: JOULE, THOMAS, GARA, CRAWFORD, KELLY, MEYER, CHENAULT
02/08/07	(H)	NR: HAWKER, NELSON, STOLTZE
02/14/07	(H)	TRANSMITTED TO (S)
02/14/07	(H)	VERSION: HB 34
02/19/07	(S)	READ THE FIRST TIME - REFERRALS

02/19/07 (S) CRA, L&C
03/06/07 (S) CRA AT 3:30 PM BELTZ 211

WITNESS REGISTER

REPRESENTATIVE GABRIELLE LEDOUX
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Sponsor of HB 34.

CHRISTINE MARASIGAN, Staff
to Representative Gabrielle LeDoux
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Answered questions regarding HB 34.

STEVE THOMSEN, Owner
Alaska Wilderness Wines
Kodiak, Alaska
POSITION STATEMENT: Spoke in support of HB 34.

DOUGLAS GRIFFIN, Director
Alcoholic Beverage Control Board
Anchorage, Alaska
POSITION STATEMENT: Spoke in support of HB 34.

ACTION NARRATIVE

CHAIR DONNY OLSON called the Senate Community and Regional Affairs Standing Committee meeting to order at [3:34:29 PM](#). Present at the call to order were Senator Kookesh, Senator Thomas, Senator Stevens, and Chair Olson.

HB 34-SALES BY WINERY LICENSEE

[3:34:49 PM](#)

CHAIR OLSON announced the consideration of HB 34.

REPRESENTATIVE GABRIELLE LEDOUX, Sponsor, said HB 34 levels the playing field for in-state wineries. Currently an out-of-state winery can ship wine into Alaska, but an Alaska winery cannot ship wine within the state.

[3:36:22 PM](#)

SENATOR STEVENS asked how this would help the small business person to be more successful.

REPRESENTATIVE LEDOUX said now they cannot ship within the state. If people from Homer want to buy wine from the Kodiak winery it is against the law to send it to them.

SENATOR STEVENS asked how many wineries are in the state.

REPRESENTATIVE LEDOUX said there are about six. She noted two in Kodiak, one in Homer, and one in Haines.

CHAIR OLSON asked if there is a winery size distinction in the bill.

REPRESENTATIVE LEDOUX said the bill limits shipments to five gallons at one time. All Alaska wineries are small, she added.

CHAIR OLSON said it is hard to believe any law in Alaska would inhibit business, "since we are a business-oriented state." He asked about the history of the law.

[3:39:20 PM](#)

CHRISTINE MARASIGAN, Staff to Representative Gabrielle LeDoux, said many state laws restrict shipping alcoholic beverages, but there were no wineries in the state when they were made.

CHAIR OLSON asked about private vintners.

MS. MARASIGAN said this is only for licensed wineries, and she believes it would be illegal for others to ship wine unless it was a non-commercial transaction. In response to Chair Olson, she said the bill will not cover other kinds of alcohol.

SENATOR STEVENS asked if an Alaskan winery can ship out of state, and Ms. Marasigan said yes.

[3:42:50 PM](#)

SENATOR THOMAS asked if the bill makes that change.

MS. MARASIGAN said wineries can already ship out of state.

CHAIR OLSON said that is covered under the federal interstate commerce laws.

[3:43:31 PM](#)

STEVE THOMSEN, Alaska Wilderness Wine, said he supports the bill, and he clarified that he cannot now ship out of state. He said the state has written letters stating it won't enforce that law, but it is still illegal.

CHAIR OLSON asked how long he has been in business and why this is coming forward now.

MR. THOMSEN said since 1999, and he has been working to change the laws since 1997. Currently there are eight wineries, so it is becoming an industry, but it is hindered. He said he is one of the original Alaskan vintners.

CHAIR OLSON asked why hasn't there been more uproar.

MR. THOMSEN said that is a good question. He knows others support the change "but they don't ever show up to testify."

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SENATOR THOMAS asked if he wants the bill to include out-of-state sales.

MR. THOMSEN said yes, but he is not sure how much he would do that. It is frustrating that the laws are not fair, he said.

SENATOR THOMAS asked if Mr. Thomsen could use a distributor.

MR. THOMSEN said that is possible, but distributors require volume that he doesn't have, and they take a huge cut.

[3:47:53 PM](#)

DOUG GRIFFIN, Chair, Alcohol Beverage Control Board, stated support for the bill. This is a catch-up to accommodate the growing number of small wineries. The bill will bring Alaska into the 21st century allowing the use of the internet for marketing. The bill will clarify the ability to sell out of state, too. Current law requires buyers to be present at the winery. HB 34 will not allow sales to dry communities. "I know wineries will take a lot of care in making sure that they don't ship to areas where alcohol is prohibited." It is a low-alcohol product, he said, and probably not a good candidate to be shipped into a dry community. He said HB 34 is a good change for an important value-added industry in Alaska. It will also take care of the confusion about selling out of state. The board does not regulate private shipments of alcohol, he noted.

[3:52:03 PM](#)

SENATOR STEVENS asked him if the bill would allow wineries to ship both in state and out of state.

MR. GRIFFIN said the law is now unclear regarding out-of-state shipment. AS 04.11.140 refers to shipments over five gallons, which indicates that wine should only be sent to a distributor. It is unclear and the wineries have been told they would not be prosecuted for shipping out of state. The bill allows the shipment of up to five gallons of wine to an individual, so it covers anywhere out of Alaska or in, except dry communities.

SENATOR THOMAS asked about shipping to minors.

MR. GRIFFIN said that is a universal prohibition, and the shipping companies are pretty good at dealing with it. The 21st Amendment ending prohibition and allowing states to regulate alcohol ran head-on into a constitutional commerce clause prohibiting trade barriers between states. The commerce clause won, so states can't block out-of-state wineries in order to favor their in-state wineries. He noted that Alaska is unique, because "dry" in other states means "damp" in Alaska. The board provides a list of all dry communities and it is up to date on the internet.

CHAIR OLSON asked if HB 34 impacts beer sales.

MR. GRIFFIN said breweries don't tend to use internet marketing and haven't asked to jump on board this legislation. He said the board would not have a problem with breweries introducing a similar bill.

CHAIR OLSON asked why beer and spirits are not covered in HB 34.

MS. MARASIGAN said there are niche markets for the different types of alcohol. Also, breweries are allowed to get pub licenses, so their focus is selling beer on the premises.

CHAIR OLSON asked if this will affect people making homebrew.

MR. GRIFFIN said that is a separate issue. Making homebrew in rural Alaska is a problem. Increased homebrew activity may be an indication that commercial alcohol is being kept out of dry communities.

[4:02:21 PM](#)

SENATOR STEVENS moved to report HB 34 from committee with individual recommendations and attached fiscal note(s). Hearing no objection, HB 34 moved from committee.

The meeting was adjourned at [4:02:57 PM](#).