

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

January 31, 2018

3:53 p.m.

MEMBERS PRESENT

Representative Sam Kito, Chair
Representative Adam Wool, Vice Chair
Representative Andy Josephson
Representative Louise Stutes
Representative Chris Birch
Representative Gary Knopp
Representative Colleen Sullivan-Leonard

MEMBERS ABSENT

Representative Mike Chenault (alternate)
Representative Bryce Edgmon (alternate)

COMMITTEE CALENDAR

HOUSE BILL NO. 301

"An Act relating to the renewal and transfer of ownership of a beverage dispensary license or restaurant or eating place license."

- HEARD & HELD

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 265

"An Act relating to the renewal of a license involving alcoholic beverages; and relating to the issuance, renewal, or transfer of ownership of a beverage dispensary license or a restaurant or eating place license."

- HEARD & HELD

HOUSE BILL NO. 299

"An Act extending the termination date of the Alcoholic Beverage Control Board; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 301

SHORT TITLE: ALCOHOL LIC.: BEV DISPENSARY/RESTAURANT
SPONSOR(s): REPRESENTATIVE(s) WOOL

01/24/18 (H) READ THE FIRST TIME - REFERRALS
01/24/18 (H) L&C, FIN
01/31/18 (H) L&C AT 3:15 PM BARNES 124

BILL: HB 265

SHORT TITLE: LIQUOR LICENSES; RESTAURANTS/MOTELS
SPONSOR(s): REPRESENTATIVE(s) RAUSCHER

01/08/18 (H) PREFILE RELEASED 1/8/18
01/16/18 (H) READ THE FIRST TIME - REFERRALS
01/16/18 (H) L&C, FIN
01/24/18 (H) SPONSOR SUBSTITUTE INTRODUCED
01/24/18 (H) READ THE FIRST TIME - REFERRALS
01/24/18 (H) L&C, FIN
01/31/18 (H) L&C AT 3:15 PM BARNES 124

BILL: HB 299

SHORT TITLE: EXTEND: ALCOHOLIC BEVERAGE CONTROL BOARD
SPONSOR(s): REPRESENTATIVE(s) WOOL

01/24/18 (H) READ THE FIRST TIME - REFERRALS
01/24/18 (H) L&C, FIN
01/31/18 (H) L&C AT 3:15 PM BARNES 124

WITNESS REGISTER

REPRESENTATIVE ADAM WOOL
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Introduced HB 301 as prime sponsor.

LAURA STIDOLPH, Staff
Representative Adam Wool
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Answered questions in the hearing on HB 301 on behalf of Representative Wool, prime sponsor.

REPRESENTATIVE GEORGE RAUSCHER
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Introduced HB 265 as prime sponsor.

DARRELL BREESE, Staff

Representative George Rauscher
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 265, on behalf of Representative Rauscher, prime sponsor.

LAURA STIDOLPH, Staff
Representative Adam Wool
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Introduced HB 299 on behalf of Representative Wool, prime sponsor.

KRIS CURTIS, Legislative Auditor
Legislative Audit and Budget
Legislative Agencies and Offices
Juneau, Alaska

POSITION STATEMENT: Presented the audit findings related to HB 299.

CHRISTINE LUMBA, Legislative Auditor
Legislative Audit and Budget
Legislative Agencies and Offices
Anchorage, Alaska

POSITION STATEMENT: Answered questions in the hearing on HB 299.

ERIKA MCCONNELL, Director
Alcohol and Marijuana Control Office
Department of Commerce, Community, and Economic Development
(DCCED)
Anchorage, Alaska

POSITION STATEMENT: Answered questions in the hearing on HB 299.

ROBERT KLEIN, Chair
Alcohol and Beverage Control Board
Alcohol & Marijuana Control Office
Department of Commerce, Community, and Economic Development
(DCCED)
Anchorage, Alaska

POSITION STATEMENT: Testified in the hearing on HB 299.

WILLIAM HARRINGTON
Anchorage, Alaska

POSITION STATEMENT: Spoke in the hearing on HB 299.

ERIKA MCCONNELL, Director
Alcohol and Marijuana Control Office
Department of Commerce, Community, and Economic Development
(DCCED)
Anchorage, Alaska

POSITION STATEMENT: Answered questions in the hearing on HB 301.

ALLAN CHOY, Owner
Al's Alaskan Inn
Anchorage, Alaska

POSITION STATEMENT: Spoke in support of HB 301.

ARDEN RANKINS, Owner
Sunrise Inn
Cooper Landing, Alaska

POSITION STATEMENT: Spoke in support of HB 301.

DALE FOX
Alaska Cabaret, Hotel, Restaurant and Retailers Association
(CHARR)
Juneau, Alaska

POSITION STATEMENT: Spoke in support of HB 301.

SASSAN MOSSANEN
Denali Brewing Company
Talkeetna, Alaska

POSITION STATEMENT: Spoke in support of HB 301.

DARRELL BREESE, Staff
Representative George Rauscher
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented HB 265 on behalf of Representative Rauscher, prime sponsor.

ACTION NARRATIVE

[3:53:03 PM](#)

CHAIR SAM KITO called the House Labor and Commerce Standing Committee meeting to order at 3:53 p.m. Representatives Knopp, Sullivan-Leonard, Josephson, Wool, Birch, and Kito present at the call to order. Representative Stutes arrived as the meeting was in progress.

HB 301-ALCOHOL LIC.: BEV DISPENSARY/RESTAURANT

[3:54:19 PM](#)

CHAIR KITO announced that the first order of business would be HOUSE BILL NO. 301, "An Act relating to the renewal and transfer of ownership of a beverage dispensary license or restaurant or eating place license."

[3:54:39 PM](#)

REPRESENTATIVE ADAM WOOL, Alaska State Legislature, introduced HB 301 as prime sponsor. He stated historically in Alaska roadhouses or hotels with 10 rooms or more could obtain beverage licenses. In 1985, there was a statute change. More recently, there was a new interpretation of the statute and renewals were denied. The proposed bill would ensure that those businesses which had licenses awarded before 1985 would be grandfathered in to continue operating.

[3:56:34 PM](#)

LAURA STIDOLPH, Staff, Representative Adam Wool, Alaska State Legislature, answered questions on HB 301, on behalf of Representative Wool, prime sponsor. She confirmed that 34 businesses had been denied renewal of their beverage licenses.

[3:56:53 PM](#)

CHAIR KITO held over HB 301.

HB 265-LIQUOR LICENSES; RESTAURANTS/MOTELS

[3:57:05 PM](#)

CHAIR KITO announced that the next order of business would be HOUSE BILL NO. 265, "An Act relating to the renewal of a license involving alcoholic beverages; and relating to the transfer or issuance of a beverage dispensary license or a restaurant or eating place license."

[3:57:31 PM](#)

REPRESENTATIVE GEORGE RAUSCHER, Alaska State Legislature, introduced HB 265 as prime sponsor. He explained the proposed bill would make three strategic changes to alcoholic beverage licensing to improve the Alcohol Beverage Control (ABC) Board. First, it would modify the opening hours requirements for club

licenses. It would create a level playing field for businesses that serve tourists on the road systems. The proposed bill would establish a grandfather clause for the holder of a tourism license to improve the ownership transfer procedures. He continued that club licenses affect Lions Clubs, Elks Clubs, and non-profits. He explained the current statute requires them to be open 30 days each calendar year for a full eight hours each day. The proposed bill would require a total of 240 hours in the year. He specified that HB 265 would limit roadhouses to 25 miles outside an incorporated city or unified borough.

[4:00:05 PM](#)

REPRESENTATIVE STUTES asked for a sectional analysis of HB 265.

[4:00:20 PM](#)

DARRELL BREESE, Staff, Representative George Rauscher, Alaska State Legislature, on behalf of Representative Rauscher, prime sponsor, answered that there was an explanation of changes in the proposed bill, but there was no sectional analysis at present.

[4:00:50 PM](#)

CHAIR KITO held over HB 265 to receive additional information from staff. [The bill was taken up again later in the meeting.]

HB 299-EXTEND: ALCOHOLIC BEVERAGE CONTROL BOARD

[4:01:08 PM](#)

CHAIR KITO announced that the next order of business would be HOUSE BILL NO. 299, "An Act extending the termination date of the Alcoholic Beverage Control Board; and providing for an effective date."

[4:01:23 PM](#)

LAURA STIDOLPH, Staff, Representative Adam Wool, Alaska State Legislature, introduced HB 299 on behalf of Representative Wool, prime sponsor. She explained that the proposed bill would extend the Alcoholic Beverage Control (ABC) Board by four years to June 30, 2022. She paraphrased the Legislative Budget and Audit (LB&A) conclusions, which read as follows:

The Alcoholic Beverage Control Board (board) is a regulatory and quasi-judicial board consisting of five members appointed by the governor, created for the purpose of controlling the manufacture, barter, possession, and sale of alcoholic beverages in the state. The board consists of one member actively engaged in the public safety sector, one from the general public, one who has resided in a rural area within the last five years, and two actively engaged in the alcoholic beverage industry. The audit concluded the board should improve its procedures for issuing renewals, recreational site licenses, and beverage dispensary licenses that encourage tourism. Testing found these licenses were not consistently issued in accordance with statutes. Additionally, operational improvements are needed in enforcing laws, monitoring board-related local law enforcement activity, and processing refunds to municipalities.

[4:02:52 PM](#)

KRIS CURTIS, Legislative Auditor, Legislative Audit and Budget, Legislative Agencies and Offices, presented the sunset audit findings for the ABC Board. The audit found the board had operated in the public interest in all areas except licensing. There was a need to improve the board's procedures for issuing renewals, recreational site licenses, and beverage dispensary licenses for the purposes of encouraging tourism. Additionally, operational improvements are needed in enforcement of laws, monitoring local law enforcement activity, and processing refunds to municipalities. She read from the November 2017 audit [included in committee packets] as follows:

AMCO [Alcohol and Marijuana Control Board] investigators have stopped conducting compliance checks as of April 2015. The board, through AMCO investigators, has historically conducted compliance checks where investigators employ underage individuals who attempt to purchase alcoholic beverages. Licensees who fail a compliance check receive criminal summons or citations. According to management, the federal grant funding for this program was terminated at the end of 2012, and the board received supplemental funds to keep the program going through June 2014. AMCO's enforcement section continued to conduct compliance checks funded by program receipts until April 2015. Although there is no statutory or

regulatory requirement to conduct compliance checks, AMCO management reported it is an integral part of the enforcement of alcoholic beverage laws and is evaluating alternative means for providing the enforcement through shared services with other agencies. The audit noted the board and AMCO management have not established a written enforcement plan to direct its limited enforcement resources. For example, the board has not formally established how often licensed premises should be inspected. Furthermore, the control office does not monitor and track all complaints to ensure complaints are assessed for follow up action and investigated in a timely manner.

[4:05:26 PM](#)

MS. CURTIS added that the board and AMCO staff had not maintained a list of restricted purchasers within the statewide database in accordance with statute, potentially allowing individuals who have been convicted of illegally selling alcohol to continue to purchase alcohol via written order.

MS. CURTIS listed the eight recommendations in the audit. The audit recommended the authority to renew licenses be limited to the board to comply with statutes. The audit again recommended that the board issue recreational site licenses in accordance with statutory requirements. This was the second such recommendation and had been given in the prior sunset audit. Ten of the 29 recreational site licenses had been tested, and it was found that all 10 did not meet the definition of a recreational site. She gave the list of recreational sites, including baseball games, car races, hockey games, dog sled racing events and curling matches held during the season. The non-compliant licensees the audit had found included travel companies, bowling alleys, an arts council, a pool hall, a movie theater, and a spa. Board members were aware that they were issuing those licenses not in accordance with statute, but believed it was in the public's best interest to continue to do so. The board thought the issue would be addressed in a future re-write of the statute.

MS. CURTIS spoke to the recommendation that the board issue beverage dispensary licenses in accordance with statutory requirements. The audit sampled 16 of the 126 beverage dispensary licenses that encourage tourism and found that 5 were transferred and 6 were renewed despite not meeting the statutory

requirements. She explained statutes give the board authority to issue a beverage dispensary license without regard to population limits if it appears that the issuance will encourage tourism. She added that statutes also provide for a minimum rental room rate, and, in the areas examined, the entities did not meet the minimum rate. The board believed it was appropriate to continue to issue those licenses as the original licenses had been issued prior to 1985. However, there is no statutory provision to grandfather licenses.

[4:08:54 PM](#)

MS. CURTIS continued to list the LB&A recommendations. The audit recommended the board, the AMCO director, and the enforcement supervisor work together to formally establish an enforcement plan to direct AMCO's limited enforcement resources. The audit further recommended the board and AMCO director implement a process to monitor and track complaints to ensure they are assessed for follow-up action and investigated in a timely manner. The sixth recommendation was that the board and the AMCO director develop written procedures for updating the statewide database with restricted purchasers. Procedures should include working with the court system to receive reports of violations in a timely manner. The audit recommended the board and AMCO director improve procedures to ensure municipalities report violations of alcoholic beverage laws. Finally, the audit recommended the AMCO director develop and implement procedures to ensure refunds to municipalities are appropriately reviewed.

[4:11:33 PM](#)

MS. CURTIS stated LB&A was recommending a 4-year extension for the board. The department concurred with all recommendations except recommendation 1 regarding the authority to renew licenses. The board believed there is an alternative interpretation of statute. The board chair concurred with all but recommendation 3 concerning beverage dispensary licenses which encourage tourism. The board maintained it is appropriate to continue to grandfather those licenses. Ms. Curtis explained that when an auditee does not agree with any recommendation, she responds in the audit findings. In this instance, the board chair was unable to provide more information for her to consider. She therefore reaffirmed the findings.

[4:12:50 PM](#)

REPRESENTATIVE JOSEPHSON asked whether the boards ever report to the state about the lack of resources.

MS. CURTIS replied that the ABC Board was different from other boards in not being an occupational licensing board. The board's response acknowledges the need for an enforcement plan and some sort of prioritization due to limited resources.

REPRESENTATIVE JOSEPHSON asked what the board needed to do to fix the information gap with the court system.

MS. CURTIS answered she thought that it was as simple as asking the court system to send in the information.

[4:15:21 PM](#)

REPRESENTATIVE BIRCH asked about efforts to receive feedback from licensees regarding the board's operations.

MS. CURTIS answered that at times surveys were sent out to ABC stakeholders. The audit also examined board meeting minutes to determine whether the public was commenting and how those comments were considered by the board. She deferred to the board chair for more information.

[4:17:37 PM](#)

REPRESENTATIVE KNOPP remarked the audit had triggered a lot of discussion, including the proposals of HB 301 and HB 265. He asked whether it was not more appropriate to decide that the statute "doesn't fit," and he said he thought that it made sense to return to pre-1985.

MS. CURTIS replied it was outside of her role as auditor to comment on the appropriate nature of statute.

CHAIR KITO added that he thought it made sense for the legislators to examine legislation that may no longer "fit."

REPRESENTATIVE KNOPP spoke to the population base and said he thought there were different distinctions for incorporated areas of the boroughs. He asked why the population base was not taken out of the incorporated areas.

MS. CURTIS said she did not know which areas were examined. She specified that the analysis was applied to a sample group of the 126 licenses.

REPRESENTATIVE KNOPP asked whether, with separate sections for incorporated areas, it made sense to exclude the population base.

MS. CURTIS said she did not know if she could address that issue. She stated the auditors had not had trouble interpreting the criteria and asked whether he was questioning why the statute was written the way it was.

REPRESENTATIVE KNOPP said, "if it was meant to be all inclusive incorporated cities inside an organized borough, we would never have put the exclusions for the incorporated cities in there, so we should only be counting the unorganized areas of the borough." He said he thought that was not what was done in the audit.

[4:23:03 PM](#)

MS. CURTIS deferred to the auditor who carried out the testing.

[4:23:19 PM](#)

CHRISTINE LUMBA, Legislative Auditor, Legislative Audit and Budget, stated she was not sure she has an answer for that.

[4:23:47 PM](#)

CHAIR KITO asked whether she was able to describe how the audit was tested.

[4:23:57 PM](#)

MS. LUMBA answered that the division had generated random samples and found that certain licenses were issued without regard to population limits to encourage tourism. When the renewal came up, they were evaluated under AS 04.11.400(d).

[4:24:31 PM](#)

REPRESENTATIVE KNOPP responded that he would contact the division in person later.

[4:24:48 PM](#)

MS. CURTIS remarked that LB&A had vetted the findings with the ABC and AMCO Boards and they had no issue with the criteria or methodology.

[4:24:59 PM](#)

REPRESENTATIVE WOOL commented on an inconsistency in the number of rooms required for licenses in different areas. He went on to ask about qualifications for enforcement officers.

MS. CURTIS deferred to AMCO.

[4:26:44 PM](#)

ERIKA MCCONNELL, Director, Alcohol and Marijuana Control Office, Department of Commerce, Community, and Economic Development (DCCED), answered that the board's enforcement officers were classified as special investigator I, requiring four years of advanced level investigative work or four years of full-time law enforcement experience. She specified that all the board's current officers were previously law enforcement officers.

REPRESENTATIVE WOOL said he felt that the ABC board and AMCO office staff were overworked. He disclosed that he is a license holder and has had trouble reaching the office via telephone. He asked whether the addition of marijuana [control enforcement] to the workload was something "they could do comfortably."

MS. MCCONNELL answered that there had been an adjustment period as the office had taken on the marijuana program. It had grown incrementally to accommodate the marijuana board and had also seen a great deal of staff turnover. She remarked that the office had heard other people complain that it can be difficult to reach staff, and the office had developed policies to ensure it was more responsive.

[4:29:50 PM](#)

REPRESENTATIVE WOOL asked how many enforcement officers were currently employed by the board.

MS. MCCONNELL replied there is one special investigator II in Anchorage and seven enforcement officers.

REPRESENTATIVE WOOL remarked that there were 1,885 alcohol licenses requiring enforcement and a growing number of marijuana licenses. He spoke to one of the recommendations that the board

carry out license renewals whereas currently the AMCO office was doing that. He asked for her thoughts.

MS. MCCONNELL replied that as noted in the audit response, AMCO felt that statutes can be interpreted differently, but it had agreed to adjust its procedures based on the audit. She added that AMCO had taken 350 renewals to the board. However, they were not providing the board with all the paperwork. The renewals provided to the board were those which had met the requirements for renewal.

[4:31:46 PM](#)

REPRESENTATIVE WOOL said he felt renewing 900 licenses was a lot of work for the board. He asked whether the director having a tie-breaking vote was something that existed in other boards.

MS. CURTIS replied that she was not aware of the policy.

REPRESENTATIVE WOOL directed his question to Ms. McConnell.

MS. MCCONNELL answered that the Marijuana Board did not have that policy.

REPRESENTATIVE WOOL mentioned that in discussions with staff in the licensing areas, it was disclosed that the vote was in statute which had been repealed but had remained in regulation. He asked for confirmation from LB&A.

MS. CURTIS replied that it was not a topic in the audit.

[4:34:05 PM](#)

CHAIR KITO stated he thought it may have been a decision that had come up post-audit.

[4:34:49 PM](#)

ROBERT KLEIN, Chair, Alcohol and Beverage Control Board, Alcohol & Marijuana Control Office, Department of Commerce, Community, and Economic Development (DCCED), testified in the hearing on HB 299. He complimented the LB&A for the thorough job on the audit. He said he agreed with recommendations 4-8 and the board had already implemented a number of them. Regarding renewals, he stated the law said the board was the only group that could grant renewals, so at the January 23 board meeting they had

staff bring around 300 renewals to them. He stated it was onerous, but that staff had done a lot of homework.

MR. KLEIN spoke to recreational site licenses, specifying the board does not grant any recreational site licenses that do not follow the statute requirements very closely and only renews practicing businesses. He mentioned that the board was waiting for SB 76 to move through the legislature. If the proposed bill passed, the board would comply, otherwise it would address how to avoid renewing some of the licenses. He addressed the recommendation regarding tourism, indicating that in the application of Title 4, the board looked at licenses granted before 1985 and applied common sense. The board did not want to ask those holding tourism licenses to build more rooms because the population increases and had not taken that action. In closing, he stated that he supports the 4-year extension in the proposed legislation.

[4:38:56 PM](#)

REPRESENTATIVE BIRCH extended his personal appreciation for the services and support the ABC Board had provided to Alaskans. He asked whether there was anything the legislature could do to ensure that common sense prevails.

[4:39:44 PM](#)

MR. KLEIN remarked that the application of common sense was what had enabled Title 4 to exist for almost 40 years.

[4:40:00 PM](#)

REPRESENTATIVE KNOPP spoke to the rejection of the reinstatement of an alcoholic beverage license to a well-established Elks Lodge. He said he felt the ABC Board had been following the intent of the law but asked whether the board could not have used discretion.

[4:40:59 PM](#)

MR. KLEIN answered that the people responsible for renewing the license chose to ignore the requirements to apply for the renewal and had missed all the deadlines. He underlined the action taken by the board did not preclude the lodge from re-applying for the license.

[4:41:51 PM](#)

REPRESENTATIVE STUTES asked how many members are on the ABC Board.

MR. KLEIN replied there are five members on the board.

[4:42:07 PM](#)

REPRESENTATIVE WOOL remarked that the five board members were selected for different roles. He asked whether the director had a tie-breaking vote and whether it was ever used.

MR. KLEIN answered that he was against applying the tie-breaking vote of the director. He added that the board had dropped the legislative aspect of the director having the tie-breaking vote. He clarified that the board was quasi-judicial in nature and that at times the director was the prosecutor in the cases that come before the board. He said he thought the regulation was left in the statute inadvertently.

REPRESENTATIVE WOOL asked whether the board can keep up with the 900 license renewals every year.

[4:44:04 PM](#)

MR. KLEIN answered there was an efficient way for the staff to review renewals. There was a public process as well as a series of checks and balances in the system. He added that by the time the five members of the board review a renewal, the renewal has gone through those hurdles.

[4:44:53 PM](#)

REPRESENTATIVE JOSEPHSON asked whether the director of AMCO cast a tie-breaking vote relying on a regulation that was previously connected to a statute. He added that the statute had been repealed, and he said he thought it was a standalone regulation. He asked whether people were questioning the legitimacy of the vote.

MR. KLEIN answered that the tie-breaking vote has not been used in his experience and has not been used in many years. It was brought up in a meeting because the regulation had been found. He added the assistant attorney general who supports the board suggested it might be difficult to defend should any lawsuits be brought forward.

[4:46:11 PM](#)

CHAIR KITO opened public testimony on HB 299.

[4:46:29 PM](#)

WILLIAM HARRINGTON testified that he does not think the alcoholic beverage industry needs a control board.

[4:48:15 PM](#)

CHAIR KITO announced he would leave public testimony on HB 299 open.

CHAIR KITO held over HB 299.

HB 301-ALCOHOL LIC.: BEV DISPENSARY/RESTAURANT

[4:49:05 PM](#)

CHAIR KITO announced that the next order of business would be HOUSE BILL NO. 301, "An Act relating to the renewal and transfer of ownership of a beverage dispensary license or restaurant or eating place license."

[4:49:39 PM](#)

CHAIR KITO asked Ms. McConnell whether she had been able to review HB 301 and whether the department had any comments regarding the proposed legislation.

[4:49:59 PM](#)

ERIKA MCCONNELL, Director, Alcohol and Marijuana Control Office, Department of Commerce, Community, and Economic Development, stated that there was a correction to be made regarding the statement that 34 licenses had been denied renewal. She clarified that no licenses had been denied renewal. The issue was the transfer of ownership. She reiterated that some of the licenses had been issued long ago, before the requirement for number of rooms was changed. She added that people want to sell their businesses, and, at time of transfer of ownership, the number of rental rooms needs to be evaluated. She indicated the board supported the legislative fix to allow the licenses to continue to operate and to be transferred.

MS. MCCONNELL queried the intent for the legislation. She read from page 2 line 23 of the proposed bill as followed:

On and after the effective date of this Act, the holder of a beverage dispensary or restaurant or eating place license issued under (g) of this section as that subsection read on June 5, 1985, who has continually held the license until the effective date of this Act

MS. MCCONNELL asked specifically about the phrase, "who has continually held the license."

[4:52:59 PM](#)

CHAIR KITO replied that he thought that was something to examine as the committee considered the proposed legislation.

[4:53:13 PM](#)

REPRESENTATIVE JOSEPHSON asked whether the ambiguity was in the implication that the license had to be held by a single individual or that it could have been transferred but the license had to be continually used.

MS. MCCONNELL answered that she would guess the intent was that the license had to be continually operated, not that the same owner had to hold the license.

[4:53:58 PM](#)

REPRESENTATIVE WOOL answered the intent was that the license be continually operated. He stated he thought there was an issue with renewal of the older licenses which needed to be addressed either with a Title 4 rewrite or one of the current proposed bills.

MS. MCCONNELL answered the concern in having the board look at the renewals regarded ensuring the licenses had been transferred in the past in accordance with statute. She added the board hopes the legislature will solve the problem, so these licenses can move forward in confidence.

[4:56:14 PM](#)

CHAIR KITO opened public testimony on HB 301.

[4:56:29 PM](#)

ALLAN CHOY, Owner, Al's Alaskan Inn, spoke in support of HB 301. He gave historical background on the development of the hotel industry in the Anchorage area. He stated he appreciates legislative action on HB 301. He remarked that if hotels had to build more rooms, then they would be empty, and he added if he didn't have the bar, then the hotel would be closed. He asked the legislature to clearly define and clarify the intent of the issue.

[5:08:33 PM](#)

ARDEN RANKINS, Owner, Sunrise Inn, spoke in support of HB 301. She stated she owns the Sunrise Inn in Cooper Landing and operates with a tourism license. She said she had bought the 10-room inn 2 years earlier. She underlined that Cooper Landing had around 275 people year-round, so there was no way she could build 40 more rooms. She underlined the inn is the largest year-round employer in the community, but she would have to close and put 10 people out of work if the proposed bill did not fix the room number issue. She said she was concerned that AMCO changed how it calculates population. She shared her understanding that the entire Kenai Peninsula was combined, and incorporated cities were taken out of the number, meaning her neighbors were now included with Cooper Landing's population and some of them are 100 miles away.

[5:11:39 PM](#)

REPRESENTATIVE WOOL asked Ms. Rankins how she learned about the issue.

MS. RANKINS answered that she had been informed through Cabaret, Hotel, Restaurant and Retailers Association (CHARR).

[5:12:40 PM](#)

DALE FOX, Alaska Cabaret, Hotel, Restaurant and Retailers Association, Inc. (Alaska CHARR), spoke in support of HB 301. He declared that he was involved in getting the 1985 law passed and that he regrets it. He was the executive director of the Alaska Visitors Bureau at the time, and the intent was to encourage tourism. He said he felt it was a terrible thing to put those 34 licensees in jeopardy. He stated it was always the intent to grandfather in businesses. He encouraged the committee to fix the 1985 law with the proposed legislation.

[5:15:46 PM](#)

SASSAN MOSSANEN, Denali Brewing Company, spoke in support of HB 301. He said three of the licensees on the audit list were neighbors. Due to the size of the town and lot sizes, Talkeetna had a special-use district, which could prevent the construction of 40-room hotels. He said he thought seeing tourism licenses go away would be a great injustice to those three families.

[5:17:09 PM](#)

CHAIR KITO announced he would hold public testimony open.

CHAIR KITO held over HB 301.

HB 265-LIQUOR LICENSES; RESTAURANTS/MOTELS

[5:17:15 PM](#)

CHAIR KITO announced that the final order of business would be a return to HOUSE BILL NO. 265, "An Act relating to the renewal of a license involving alcoholic beverages; and relating to the transfer or issuance of a beverage dispensary license or a restaurant or eating place license."

[5:17:38 PM](#)

DARRELL BREESE, Staff, Representative George Rauscher, Alaska State Legislature, presented HB 265 on behalf of Representative Rauscher. He explained the proposed bill grandfathered in all licenses from the time they were issued. He added that of the list of 34 licenses that were in jeopardy, 9 of them were issued after 1985 and would still be in jeopardy. The proposed bill would grandfather all licenses at the number of rooms it had at the time of licensing. There was also a change for the club licenses, which currently had to be open for 30 8-hour days each calendar year. With the new legislation, that would change to a cumulative 240 hours in the calendar year, which could be broken up into 2- or 4-hour blocks. He stated club license owners can serve alcohol only to club members, so allowing them to adjust their hours to fit their needs would be useful as it would prevent them from being penalized at the time of renewal for not meeting the 30 8-hour day requirement.

[5:21:17 PM](#)

REPRESENTATIVE STUTES stated she was concerned about a statement in the previous presentation saying the intent was to level the playing field between clubs and dispensaries.

MR. BREESE apologized for the confusion and explained that he had been referring to levelling the playing field in the roadhouse license issue. He gave the example of the Long Rifle Lodge, which has a tourism license and has 10 rooms. With the law as it was currently being interpreted, the lodge would have to have 50 rooms as the board was looking at the Matanuska population as a whole. The proposed bill created the language for a roadhouse license requiring only 10 rooms. The new language would also enable a new business across the highway from the Long Rifle Lodge to "make a go of it" if it can meet the requirement of 10 rooms. He explained that was where the playing field would be levelled.

REPRESENTATIVE STUTES surmised the intent was that the new lodge would have their licenses issued under the same conditions as "the guy across the street."

MR. BREESE replied in the affirmative.

[5:23:55 PM](#)

REPRESENTATIVE WOOL asked whether HB 301 would allow the hypothetical new lodge to have fewer than 50 rooms.

[5:24:41 PM](#)

MR. BREESE explained the proposed bill's definition of roadhouses was those located 25 miles outside an incorporated city or unified borough and on a national scenic byway. This would include Seward Highway, Parks Highway, Glen Highway, and Richardson Highway, which were all codified in national law. He stated the Long Rifle Lodge was located 46 miles outside Palmer, adding it was in the Matanuska-Susitna borough, but the borough was not a unified borough.

[5:25:55 PM](#)

CHAIR KITO offered that the Alaska Marine Highway System (AMHS) was also considered a scenic byway. He asked how it was affected by HB 301.

[5:26:13 PM](#)

MR. BREESE answered the national scenic byway started once one left port and there was no way for someone to build in the water. He added that Haines Highway was also on the national scenic byway list but was within the unified borough of Haines and therefore construction would not be allowed.

[5:26:42 PM](#)

REPRESENTATIVE KNOPP asked why the proposed legislation exempted unified boroughs.

MR. BREESE answered it was because unified boroughs generally had a single seat of government and it did not make sense to include them, because the city boundaries were typically the same as the unified borough.

[5:27:27 PM](#)

CHAIR KITO said he would open public testimony on HB 265 but not hear testimony as the meeting had to adjourn. He said he would leave public testimony open.

CHAIR KITO held over HB 265.

[5:28:43 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 5:28 p.m.