

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

April 3, 2018

1:34 p.m.

MEMBERS PRESENT

Senator Mia Costello, Chair
Senator Kevin Meyer, Vice Chair
Senator Berta Gardner
Senator Peter Micciche

MEMBERS ABSENT

Senator Gary Stevens

COMMITTEE CALENDAR

SENATE BILL NO. 205

"An Act relating to the Regulatory Commission of Alaska; and relating to telecommunications regulations, exemptions, charges, and rates."

- MOVED CSSB 205 (L&C) OUT OF COMMITTEE

SPONSOR SUBSTITUTE FOR SENATE BILL NO. 76

"An Act relating to alcoholic beverages; relating to the regulation of manufacturers, wholesalers, retailers, and common carriers of alcoholic beverages; relating to licenses, endorsements, and permits involving alcoholic beverages; relating to the Alcoholic Beverage Control Board; relating to offenses involving alcoholic beverages; amending Rule 17, Alaska Rules of Minor Offense Procedure; and providing for an effective date."

- MOVED CSSSB 76 (L&C) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: SB 205

SHORT TITLE: TELECOMMUNICATIONS REGULATION/EXEMPTIONS

SPONSOR(s): SENATOR(s) MEYER

02/19/18	(S)	READ THE FIRST TIME - REFERRALS
02/19/18	(S)	L&C

02/27/18 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
 02/27/18 (S) Heard & Held
 02/27/18 (S) MINUTE(L&C)
 03/08/18 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
 03/08/18 (S) Heard & Held
 03/08/18 (S) MINUTE(L&C)
 04/02/18 (S) L&C AT 9:00 AM BELTZ 105 (TSBldg)
 04/02/18 (S) Heard & Held
 04/02/18 (S) MINUTE(L&C)
 04/03/18 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 76

SHORT TITLE: ALCOHOLIC BEVERAGE CONTROL; ALCOHOL REG

SPONSOR(s): SENATOR(s) MICCICHE

03/03/17 (S) READ THE FIRST TIME - REFERRALS
 03/03/17 (S) L&C, JUD
 05/11/17 (S) SPONSOR SUBSTITUTE INTRODUCED-REFERRALS
 05/11/17 (S) L&C, JUD
 03/13/18 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
 03/13/18 (S) Heard & Held
 03/13/18 (S) MINUTE(L&C)
 03/15/18 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
 03/15/18 (S) Heard & Held
 03/15/18 (S) MINUTE(L&C)
 03/20/18 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
 03/20/18 (S) Heard & Held
 03/20/18 (S) MINUTE(L&C)
 03/22/18 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
 03/22/18 (S) Heard & Held
 03/22/18 (S) MINUTE(L&C)
 04/03/18 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

CHRISTINE O'CONNOR, Executive Director
 Alaska Telecom Association (ATA)
 Anchorage, Alaska

POSITION STATEMENT: Answered the questions related to SB 205.

RACHEL HANKE, Staff
 Senator Peter Micciche
 Alaska State Legislature
 Juneau, Alaska

POSITION STATEMENT: Introduced two amendments to SB 76, version T.

KAREN BERGER
Homer Brewing Company
Homer, Alaska

POSITION STATEMENT: Testified against the 80/20 provision that previously was in SB 76.

DON MCNAMARA
Oceanside Farms
Homer, Alaska

POSITION STATEMENT: Testified that SB 76 works against small entrepreneurs that are starting up, and stated support for reinserting the grandfather provision.

JOSH HEGNA
Girdwood Brewing Company
Girdwood, Alaska

POSITION STATEMENT: Stated that he didn't need to testify now that the committee removed the 80/20 provision from SB 76.

BEN MILLSPEIN
Kodiak Island Brewing Company
Kodiak, Alaska

POSITION STATEMENT: Stated appreciation that the 80/20 provision was removed from SB 76.

DANA WALUKIEWICZ
King St Brewing Co
Anchorage, Alaska

POSITION STATEMENT: Testified that he supports SB 76 now that the 80/20 provision was removed.

TOIVO LUICK
Hoarfrost Distilling
Fairbanks, Alaska

POSITION STATEMENT: Thanked the committee for removing the 80/20 provision from SB 76.

EDMOND MINER
Gakona Brewing Co
Gakona, Alaska

POSITION STATEMENT: Testified that he supports SB 76 now that the 80/20 provision was removed.

DOUG HOGUE
Kenai River Brewing Company
Soldotna, Alaska

POSITION STATEMENT: Thanked the committee for its work and stated full support for SB 76 as it stands today.

BERT COTTLE, Mayor
City of Wasilla
Wasilla, Alaska

POSITION STATEMENT: Expressed hope that the current CS for SB 76 was not the final product.

LYN CARDEN, Deputy Administrator
City of Wasilla
Wasilla, Alaska

POSITION STATEMENT: During the hearing on SB 76, testified about the need to address local option for alcohol licensing.

BRANDON HOWARD
Amalga Distillery
Juneau, Alaska

POSITION STATEMENT: Thanked the committee for removing the 80/20 provision from SB 76 and noted that just 4 or 5 breweries in the state could have met that standard.

RYAN LINDSAY
Devils Club Brewing
Juneau, Alaska

POSITION STATEMENT: Stated full support for SB 76 now that the 80/20 provision was removed.

MATT BARNABY
Barnaby Brewing Company
Juneau, Alaska

POSITION STATEMENT: During the hearing on SB 76, shared the story of his business to demonstrate the positive impact small businesses can have on the economy.

MARK STAPLES
Midnight Sun Brewing Co
Anchorage, Alaska

POSITION STATEMENT: Stated full support for SB 76.

STEW GRAHAM, City Council Member
City of Wasilla
Wasilla, Alaska

POSITION STATEMENT: Stated that SB 76 does not do justice for Wasilla and other small towns.

ACTION NARRATIVE

[1:34:53 PM](#)

CHAIR MIA COSTELLO called the Senate Labor and Commerce Standing Committee meeting to order at 1:34 p.m. Present at the call to order were Senators Gardner, Meyer, Micciche, and Chair Costello.

SB 205-TELECOMMUNICATIONS REGULATION/EXEMPTIONS

[1:35:30 PM](#)

CHAIR COSTELLO announced the consideration of SB 205. She noted that public testimony had opened and closed. She stated the intention to move the bill after Ms. O'Connor addresses the issues that were brought up yesterday.

[1:36:22 PM](#)

CHRISTINE O'CONNOR, Executive Director, Alaska Telecom Association (ATA), Anchorage, Alaska, said she appreciates the opportunity to answer the questions that came up yesterday. She noted that audio difficulties yesterday prevented the members from hearing her responses.

She discussed the three broad questions that were raised yesterday. The first was what happens if the carrier of last resort decides not to serve an area. She cited a current example that demonstrates the thorough public interest process that exists today and will remain in place should the bill pass. That carrier followed the federal process and notified the FCC about what is happening in that area. Under the state process, the RCA has sent a letter to the FCC citing the authority of public convenience and necessity to require a carrier to serve a certain area. That authority may also be cited to discontinue service. She said that is the certificate authority ATA has talked about during the last several hearings. The RCA has a strong public interest authority today and will maintain it, regardless of the outcome of SB 205.

The second issue that was raised related to the RCA's statutory authority to arbitrate disputes between carriers about how they connect their networks and the terms and rates of those agreements. SB 205 does not change that statute.

MS. O'CONNOR said she appreciates Mr. Parish [with the RCA] noting that the budget changes proposed in the CS regarding the regulatory cost charge add fairness back into the system.

The third question related to reporting. She said the bill proposes a simple change to ensure that the detail in the current RCA annual reports will continue. She assured members that this change is not intended to add a legal billing system to the RCA.

MS. O'CONNOR said she had not been able to meet with Commissioner McAlpine, [chair of the RCA] to discuss the bill due to his busy schedule. However, SB 205 was drafted based on public statements by RCA commissioners over the past two years that it was a waste of resources for the RCA to review a lot of the currently required filings and reports. The bill deliberately eliminates many of those filings and reports in direct response to the RCA concerns. She noted that the Alaska Universal Service Fund was not included in the bill because it was already being evaluated and updated by the RCA. ATA was participating in the round of comments due on the AUSF today.

She summarized that SB 205 eliminates wasted effort by the industry and the RCA and preserves the RCA's existing public oversight role.

[1:41:11 PM](#)

CHAIR COSTELLO thanked Ms. O'Connor for coming to Juneau to respond in person to some of the concerns raised yesterday.

[1:41:29 PM](#)

SENATOR MICCICHE said his only concern was rate changes and those were no longer part of the bill. He opined that that issue will entail a longer conversation than there is time for this year.

SENATOR MEYER asked for confirmation that ATA represents all the telephone companies in the state.

MS. O'CONNOR replied ATA represents all the phone companies except the small Circle Telephone Company.

SENATOR MEYER noted that the RCA testified that the CS was an improvement, but they did not state support for the bill. He asked what could be done to gain their support.

MS. O'CONNOR said she didn't know what other changes the RCA would find beneficial since the bill was drafted in direct response to their concerns stated on the public record. This legislation leaves the RCA ample authority to investigate companies to protect the public interest, it has multiple layers

of annual reporting on services, and it says what the use of federal and state universal service funds are. She noted that the RCA has stated it needs to eliminate a lot of their regulations that have become obsolete.

[1:43:47 PM](#)

SENATOR MEYER moved to report the CS for SB 205, version U, from committee with individual recommendations and attached fiscal note(s).

[1:44:03 PM](#)

CHAIR COSTELLO found no objection and CSSB 205(L&C) moved from the Senate Labor and Commerce Standing Committee.

At ease

[1:44:22 PM](#)

SB 76-ALCOHOLIC BEVERAGE CONTROL; ALCOHOL REG

[1:46:42 PM](#)

CHAIR COSTELLO reconvened the meeting and announced the consideration of SB 76. She noted that the intention was to consider two proposed amendments and continue public testimony.

[1:47:24 PM](#)

At ease

[1:48:18 PM](#)

CHAIR COSTELLO reconvened the meeting and invited Ms. Hanke to present the amendments.

[1:48:30 PM](#)

RACHEL HANKE, Staff, Senator Peter Micciche, Alaska State Legislature, Juneau, Alaska, paraphrased the following explanation of Amendment 1 for SB 76. :

This amendment proposes removal of subsections (g) and (h) from all three manufacturer retail licenses. Subsection (g) requires manufacturers to sell not more than 20 percent of their total volume to the public after four license renewal periods. Subsection (h) grandfathers current manufacturer retail licensees.

[1:49:01 PM](#)

SENATOR MICCICHE moved to adopt Amendment 1, labeled 30-LS0015\T.4.

AMENDMENT 1

OFFERED IN THE SENATE BY SENATOR MICCICHE
TO: CSSSSB 76(), Draft Version "T"

Page 22, lines 2 - 14:
Delete all material.

Reletter the following subsections accordingly.

Page 22, line 17:
Delete "(d), (e), (f), or (g)"
Insert "(d), (e), or (f)"

Page 23, lines 18 - 30:
Delete all material.

Reletter the following subsections accordingly.

Page 24, line 2:
Delete "(d), (e), (f), or (g)"
Insert "(d), (e), or (f)"

Page 25, lines 3 - 15:
Delete all material.

Reletter the following subsections accordingly.

CHAIR COSTELLO objected for continued explanation.

SENATOR MICCICHE explained that Amendment 1 removes both the 80/20 and the grandfather provisions. He said he has agreed to chat about a path forward in the future, but he felt those provisions were outside the consensus spirit of the bill.

CHAIR COSTELLO removed her objection. Finding no further objection, Amendment 1 was adopted.

[1:50:49 PM](#)

MS. HANKE paraphrased the following explanation of Amendment 2:

This amendment clarifies that a common carrier is not subject to board approved alcohol server education by referencing the exception in existing [subsection] (e) in subsection (a). The sections are restructured for

further clarity. This amendment also makes a minor correction to the penalty provision of failure to comply with alcohol server education requirements by referencing existing [subsection] (e).

SENATOR MICCICHE moved to adopt Amendment 2, labeled 30-LS0015\T.5.

AMENDMENT 2

OFFERED IN THE SENATE BY SENATOR MICCICHE
TO: CSSSSB 76(), Draft Version "T"

Page 99, line 16:

Delete "As"

Insert "Except as provided under (e) and (f) of this section, as"

Page 99, lines 21 - 22:

Delete "This section does not apply to the following licenses:"

Page 99, line 23, through page 100, line 1:

Delete all material.

Page 100, following line 25:

Insert a new subsection to read:

"(f) This section does not apply to the following licenses:

(1) brewery manufacturer license under AS 04.09.020, unless the licensee holds a manufacturer sampling endorsement;

(2) winery manufacturer license under AS 04.09.030, unless the licensee holds a manufacturer sampling endorsement;

(3) distillery manufacturer license under AS 04.09.040, unless the licensee holds a manufacturer sampling endorsement;

(4) general wholesale license under AS 04.09.100;

(5) limited wholesale brewed beverage and wine license under AS 04.09.110;

(6) winery direct shipment license under AS 04.09.360."

Reletter the following subsections accordingly.

Page 100, line 26, following "(c)":
Insert "or (e)"

CHAIR COSTELLO found no objection and Amendment 2 was adopted.

[1:51:30 PM](#)

CHAIR COSTELLO found no further amendments or questions and solicited a motion to adopt the CS for SB 76, version 30-LS0015\T as amended.

[1:51:50 PM](#)

SENATOR MEYER moved to adopt the CS for SB 76, version T as amended, as the working document.

CHAIR COSTELLO found no objection and CSSSSB 76(), as amended, was adopted. She continued public testimony on SB 76.

[1:52:19 PM](#)

KAREN BERGER, Homer Brewing Company, Homer, Alaska, stated that the 80/20 provision does not reflect current market trends. She asked the committee to consider removing that provision for all licensees.

[1:54:32 PM](#)

SENATOR MICCICHE clarified that the testimony should address the current version of the bill. The 80/20 provision and the common carrier sections have been removed.

[1:55:05 PM](#)

DON MCNAMARA, Oceanside Farms, Homer, Alaska, stated that SB 76 works against small entrepreneurs that are starting up. New York State in 2014 helped all their apple growers get cider licenses and it boosted revenue to the state. By comparison, Alaska is trying to triple the license fees. He also stated support for maintaining the grandfather provision.

[1:56:25 PM](#)

JOSH HEGNA, Girdwood Brewing Company, Girdwood, Alaska, said he didn't need to testify now that the 80 20 provision was eliminated.

[1:56:52 PM](#)

BEN MILLSPEIN, Kodiak Island Brewing Company, Kodiak, Alaska, said he appreciates that the 80/20 provision was removed. He supports Ms. Berger's comments.

DANA WALUKIEWICZ, King St Brewing Co, Anchorage, Alaska, said he supports SB 76 now that the 80/20 provision was removed.

[1:58:11 PM](#)

TOIVO LUICK, Hoarfrost Distilling, Fairbanks, Alaska, thanked the committee for removing the 80/20 provision from SB 76. It makes sense for the industry.

[1:58:45 PM](#)

EDMOND MINER, Gakona Brewing Co, Gakona, Alaska, said he supports SB 76 now that the 80/20 provision was removed.

[1:59:05 PM](#)

DOUG HOGUE, Kenai River Brewing Company, Soldotna, Alaska, thanked the committee for its work and stated full support for SB 76 as it stands today.

[1:59:36 PM](#)

BERT COTTLE, Mayor, City of Wasilla, Alaska, said he hopes that the current CS for SB 76 is not the final product. Local leaders and local communities would like more input to guard against state government overreach into local government regarding local options. Wasilla currently has seven package store licenses and to add two more would require a population base of over 21,000. The current population is 9,000. Wasilla is already over the limit on restaurant beer/wine licenses and couldn't bring a new one in if one of the existing businesses lost their license. That limits the potential for economic development. He opined that allowing local communities more local option will result in a better product.

CHAIR COSTELLO said it's a legitimate concern that she shares.

SENATOR MICCICHE thanked the City of Wasilla and the City of Soldotna for their active participation in the process. He said the bill increases the ability to move licenses around but local option wasn't fully addressed because there was no consensus. However, he and other legislators are very interested in moving forward on those local option issues that did not reach consensus.

[2:03:15 PM](#)

LYN CARDEN, Deputy Administrator, City of Wasilla, Alaska, stated that the City of Wasilla agrees that amendments to Title 4 that address local option for alcohol licensing should be done independent of SB 76 due to the complexity of the issue. She

also highlighted that a carryover from the original stakeholder recommendations that eliminates the option for an REPLPC license should be removed from the bill. She noted that is the only avenue available for municipalities to get new restaurants with liquor licenses within their city limits.

CHAIR COSTELLO said her office was interested in working on an amendment to address that issue.

[2:05:06 PM](#)

BRANDON HOWARD, Amalga Distillery, Juneau, Alaska, thanked the committee for removing the 80/20 provision from SB 76 and noted that just 4 or 5 breweries in the state could have met that standard. He highlighted that craft breweries in the state have a \$232 million economic impact. That is 6th in the country per capita. Small businesses are an economic engine for the state. He said a video he watched on the power of small business inspired him to start an economic impact of distilleries in Alaska. It shows that:

- Every job that a distillery produces adds 1.5 more jobs to the state economy.
- Distilleries generate about \$2.8 million in labor income.
- Every dollar of income from a distillery yields \$2.50 in income to workers in other industries.
- Distilleries create almost \$26 million in business revenues; \$19.7 million among the distilleries and \$6.5 million for other industries.

MR. HOWARD said this small industry that is comprised of small businesses is surprisingly impactful. SB 76 has the full support of the Distillers Guild of Alaska.

[2:07:44 PM](#)

RYAN LINDSAY, Devils Club Brewing, Juneau, Alaska, said he fully supports SB 76 now that the 80/20 provision was removed. It was an impossible threshold for small brewers to meet.

[2:08:18 PM](#)

MATT BARNABY, Barnaby Brewing Company, Juneau, Alaska, said he no longer needed to testify against the 80/20 provision since it was removed, but he wanted to share his story to demonstrate the positive impact of small businesses. He and his wife own and operate Barnaby Brewing in downtown Juneau. This is the smallest brewery in Southeast Alaska. They currently employ four year-around staff and seven in the summer. They have been in business almost a year and have won gold for their California Common at

the U.S. Open Championship. It is the second largest competition in the country. They also participated in the Great American Beer Fest in Denver, Colorado that was attended by over 60,000 people. They talked to people who had visited Alaska and their brewery and to others who were planning to visit Alaska. He urged the committee to continue to be sensitive to potential impacts on small businesses.

[2:10:56 PM](#)

MARK STAPLES, Midnight Sun Brewing Co, Anchorage, Alaska, stated full support for SB 76. The bill solves a lot of the problems in Title 4 that make doing business as a brewery very difficult.

[2:11:57 PM](#)

STEW GRAHAM, City Council Member, City of Wasilla, Alaska, said the committee is to be congratulated for solving some of the problems for brewers, but SB 76 does not do justice for Wasilla and other small towns. The City of Wasilla is 13 square miles and has about 9,000 residents, but about 75,000 people live within 10 miles and they come to Wasilla to shop and dine. Wasilla currently has 41 or 42 establishments where one can get a meal and a drink. He said the citizens voted for the level of government of a first class city and the state should respect the right of the city to control its own destiny. They should be able to decide how many liquor licenses are appropriate and forward their decisions to the Board for consideration.

SENATOR MICCICHE said he gets it but that amendment to Title 4 is not ready for prime time in the bill, but he and other legislators are willing to work on that going forward. He believes it should be a separate effort.

[2:17:05 PM](#)

CHAIR COSTELLO closed public testimony on SB 76.

[2:17:15 PM](#)

SENATOR MEYER moved to report CSSSSB 76, version T as amended, from committee with individual recommendations and attached fiscal note(s).

[2:17:31 PM](#)

CHAIR COSTELLO announced that without objection, CSSSSB 76(L&C) moved from the Senate Labor and Commerce Standing Committee.

[2:17:55 PM](#)

There being no further business to come before the committee, Chair Costello adjourned the Senate Labor and Commerce Standing Committee meeting at 2:17 p.m.