

HOUSE FINANCE COMMITTEE
May 14, 2019
9:00 a.m.

9:00:13 AM

CALL TO ORDER

Co-Chair Wilson called the House Finance Committee meeting to order at 9:00 a.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Tammie Wilson, Co-Chair
Representative Jennifer Johnston, Vice-Chair
Representative Dan Ortiz, Vice-Chair
Representative Ben Carpenter
Representative Andy Josephson
Representative Gary Knopp
Representative Bart LeBon
Representative Kelly Merrick
Representative Colleen Sullivan-Leonard
Representative Cathy Tilton

MEMBERS ABSENT

None

ALSO PRESENT

Erika McConnell, Director, Alcohol and Marijuana Control Office, Department of Commerce, Community and Economic Development; Kris Curtis, Legislative Auditor, Alaska Division of Legislative Audit; Kris Curtis, Legislative Auditor, Alaska Division of Legislative Audit; Gary Zepp, Staff, Senator David Wilson; Jacob Garish, Staff, Senator Scott Kawasaki.

PRESENT VIA TELECONFERENCE

William Harrington, Self, Anchorage; Jerome Hertel, Alaska State Fair, Homer; Codie Costello, Vice President, Strategic Development and Communications, Alaska Center for the Performing Arts, Anchorage; Tiffany Hall, Executive Director, Recover Alaska, Anchorage; Sarah Oates, President and CEO, Cabaret Hotel Restaurant and Retailers Association

(CHARR), Anchorage; Sharon Fishel, Education Specialist, School Health, Safety, and Alternative Education, Department of Education and Early Development.

SUMMARY

HB 159 MEDICAL EDUCATION PROGRAM

HB 159 was SCHEDULED but not HEARD.

SB 10 EXTEND SUICIDE PREVENTION COUNCIL

SB 10 was HEARD and HELD in committee for further consideration.

CSSB 16 (FIN)

ALCOHOL LIC:FAIRS, THEATRES, CONCERTS; BONDS

CSSB 16 (FIN) was HEARD and HELD in committee for further consideration.

CSSB 43 (FIN)

EXTEND BIG GAME BOARD; OUTFITTER LICENSE

CSSB 43 (FIN) was HEARD and HELD in committee for further consideration.

[9:00:52 AM](#)

AT EASE

[9:01:22 AM](#)

RECONVENED

#sb16

CS FOR SENATE BILL NO. 16 (FIN)

"An Act relating to certain alcoholic beverage licenses and permits; relating to the bond requirement for certain alcoholic beverage license holders; and providing for an effective date."

[9:01:32 AM](#)

Co-Chair Wilson noted the committee would continue public testimony from the previous afternoon.

WILLIAM HARRINGTON, SELF, ANCHORAGE (via teleconference), did not support alcohol at sporting events and other fairs where children were present. He shared a story from personal experience. He did not believe rehab worked and he did not like the idea of serving alcohol at Eaglecrest Ski area in Juneau. He stressed that it was easy to purchase alcohol in the state. He believed that serving alcohol around children was harmful.

[9:04:02 AM](#)

JEROME HERTEL, ALASKA STATE FAIR, HOMER (via teleconference), spoke in support of the bill. He believed that the bill would enable the fair to continue to serve alcoholic beverages as it had for the prior 37 years.

Co-Chair Wilson asked whether the fair had any violations during the time the fair held the license. Mr. Hertel would have to check. He believed that the fair was violation free for most of the time they had held the license. He would follow up for accuracy. Co-Chair Wilson clarified that she wanted to point out on the record that the issue was not in response to any improper action by the fair and was responding to the reinterpretation of the license. Mr. Hertel answered that there had been no problems brought on by the fair.

Representative Josephson interpreted that the bill grandfathered in the fair even if the bill did not create a new fair license. Mr. Hertel affirmed that the fair would be grandfathered in as a recreational site license.

[9:07:11 AM](#)

CODIE COSTELLO, VICE PRESIDENT, STRATEGIC DEVELOPMENT AND COMMUNICATIONS, ALASKA CENTER FOR THE PERFORMING ARTS, ANCHORAGE (via teleconference), spoke in support of the legislation. The bill provided clarity and stability to allow the center to move forward and grow its business responsibly. She indicated that the center never had any prior "incidences" with the license.

Co-Chair Wilson clarified that the bill grandfathered in the exact prior activities allowed under the license. Ms. Costello affirmed the statement.

[9:08:14 AM](#)

TIFFANY HALL, EXECUTIVE DIRECTOR, RECOVER ALASKA, ANCHORAGE (via teleconference), requested an amendment for the bill. She shared that the organization worked to reduce excessive alcohol use and reduce high risk drinking by promoting best practices. She elaborated that the harm caused by alcohol use cost the state \$1.84 billion annually. Alaskans were dying at a rate three times higher than the national average. She emphasized that any legislation that increased the outlets for alcohol consumption was antithetical to best practices. She understood many of the businesses had already been serving alcohol. She voiced that she was not speaking against the bill but hoped that the committee would consider adding health and safety measures to the bill. She suggested amending the bill to include a keg registration and noted that was a national best practice to ensure that if a person purchased alcohol for an underage person, they would be held liable. She recommended that the state regulate internet sales. She communicated that Alaska was one of the only states that did not have any regulation against purchasing alcohol from out of state. Currently, a teenager could order alcohol from the internet. In addition, Alaska was not collecting any taxes on alcohol internet sales.

Co-Chair Wilson asked if she realized that the bill was not authorizing any new licensing. Ms. Hall understood and appreciated the comment. She advised that it would be wise to include public health and safety practices in SB 16. Co-Chair Wilson alerted Ms. Hall that a Title IV rewrite was expected and was the best way to address her concerns.

[9:11:30 AM](#)

SARAH OATES, PRESIDENT AND CEO, ALASKA CABARET HOTEL RESTAURANT AND RETAILERS ASSOCIATION (CHARR), ANCHORAGE (via teleconference), testified in support of the bill. She reported that the association represented most of the alcohol licensees in the state. The organization supported grandfathering in the existing licensees and returning the license of business who had lost their license due to the change in enforcement.

[9:13:21 AM](#)

Co-Chair Wilson CLOSED public testimony.

Co-Chair Wilson asked what activities were allowed under a recreational license. She requested that Ms. McConnell recount exactly when the interpretation changed, and the first licensee was notified.

ERIKA MCCONNELL, DIRECTOR, ALCOHOL AND MARIJUANA CONTROL OFFICE, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, answered that the statute AS 04.11.210 pertaining to a Recreational Site License allowed a license holder to sell alcohol during and one hour before and after a recreational event that was not a school event. She read the following from the statute, "A recreational site included a location that baseball games, car races, hockey games, dog sled racing events or curling matches are regularly held during a season." She elucidated that the board began looking at the issue around 2010 or 2011 and crafted a policy that it implemented for two years. Subsequently, the office undertook a regulations project that was not implemented. In 2014 and in 2017, a legislative audit cited the board for issuing licenses that were not in compliance with the section of statute. She shared that the board had struggled with the issue for the past 10 years.

Co-Chair Wilson asked when the board first alerted a license holder they no longer fit under the recreational license. Ms. McConnell replied that the 2018/2019 license renewal period was the first time the board issued a final renewal for two years along with a notice of non-renewal subsequent to the end of the two-year period.

[9:16:30 AM](#)

Co-Chair Wilson inquired what license options were available when they were no longer able to obtain a recreational license. Ms. McConnell replied that the answer depended on the type of business affected. She elaborated that two businesses were able to find a restaurant or eating place license and others did not attempt to find other options like a beverage dispensary license. She noted that a beverage dispensary license was only available from the secondary market and were tremendously expensive. Co-Chair Wilson asked why the board had not looked at the possibility of grandfathering the businesses in. She pointed out that the result would have shut down businesses that were not at fault. Ms. McConnell answered that no provision existed in statute for the board to grandfather

in businesses. However, the Title IV rewrite steering committee in 2012, proposed granting a noncompliant recreational site licensee an 8 year phase out period. Co-Chair Wilson asked if the action opened the state up to a lawsuit. She continued that the state had allowed businesses to grow based on a legally issued license and through no fault of their own they had been told their license was invalid. Ms. McConnell replied that she was not an attorney and was not able to answer the question.

[9:18:54 AM](#)

Representative Knopp deduced that the recreational licenses had been issued liberally at one time. He thought that the reason they were not in compliance was because the recreational activities' definitions were not in statute. He inquired whether Ms. McConnell felt that it was a "little unreasonable" to expect that a legislative body could identify every recreational opportunity. Ms. McConnell responded that under the situation the common guidance was to refer to the list of examples given in statute and evaluate the new proposal to determine whether it met the commonalities of the examples. She was unaware why the prior boards made the decisions it had 15 to 20 years earlier. She noted that they did appear to issue licenses to businesses that did not operate seasonally and whose activities did not match the commonalities included on the list in statute. Representative Knopp was frustrated and disappointed that the past director had not come forward to the legislature when the issue had occurred to ask for a remedy. He commented that instead, the legislature spent numerous years trying to fix what the board was trying to undo. The businesses operated in compliance and in the restrictive manner laid out in statute. He asked if Ms. McConnell thought the legislature should address "recreation" holistically in statute and not try to define it via example.

[9:22:07 AM](#)

Ms. McConnell answered that the board did not wish to take licenses away from businesses. She wanted clarity and boundaries from the legislature. She suggested that the more clarity the better in terms of what businesses should be able to obtain liquor licenses. Representative Knopp maintained that under some circumstances legislative intent had to suffice.

Representative Josephson asked if Ms. McConnell had been present at the recent House Labor and Commerce Committee meetings. Ms. McConnell believed so. Representative Josephson indicated that the prior version of the bill repealed surrendering the caterers permit. He noted the CS did not include the provision. He asked whether it was significant. Ms. McConnell answered that the provision was not significant. She reported that the permit was issued via email and the licensee was not required to return the permit after the event.

Co-Chair Wilson asked if any of the 11 impacted businesses had been given notice or renewed. Ms. McConnell answered that one of the 11 businesses that had been denied claimed they had not been noticed and was currently working through an appeal process. She added that the other businesses were given notice. Co-Chair Wilson understood that one of the ski facilities was renewed last year. She asked whether they received a notice that it was the last renewal. Ms. McConnell answered that the ski area had been renewed without notice. Co-Chair Wilson asked why. Ms. McConnell was not privy to why the board renewed the license. Co-Chair Wilson noted that the ski area did not fall under the interpretation of statute and asked whether she advises the board. Ms. McConnell responded that she advised the board to deny the renewal. Co-Chair Wilson remarked that the board renewed anyway. Ms. McConnell affirmed the statement. Co-Chair Wilson related that based on the renewal another ski area applied for the license and was denied. Ms. McConnell answered that the applicant had written to her and acknowledged that a ski area did not comply with the statute guidelines but noted the history of approving recreational site licenses for other ski resorts.

[9:26:32 AM](#)

Co-Chair Wilson restated her question regarding one ski resort renewal prompting another ski area to apply only to be denied. Ms. McConnell responded in the affirmative. Co-Chair Wilson noted that there were numerous issues going on with the Alcoholic Beverage Control (ABC) Board. She reiterated her previously stated concerns regarding the issue. She notified the committee that the denied ski area had their application fee returned but had wasted much time and investment applying. She also noted the issue regarding hours for playing music and reported that the bill would allow an organization to revert to their prior practices if

they reapplied for a recreation site license even if the business had surrendered its license and purchased another type of license. The bill authorized that the business had to choose which license they wanted to operate under and sell the other. She asked Ms. McConnell if she was correct. Ms. McConnell answered in the affirmative. She clarified that a business could only operate under one license.

[9:29:00 AM](#)

Representative Knopp asked whether a statute guided the entertainment hours under the recreational site license. Ms. McConnell answered that the recreational site licenses lacked any entertainment restrictions. However, there were entertainment restrictions for restaurant licenses.

Co-Chair Wilson asked to hear from Legislative Audit regarding future auditing problems with passage of the bill.

KRIS CURTIS, LEGISLATIVE AUDITOR, ALASKA DIVISION OF LEGISLATIVE AUDIT, answered that auditors looked at criteria and audited regarding the statutes and regulations. She affirmed that providing clarity to the board, auditors, and the public was very important. Co-Chair Wilson ascertained that the statute had allowed for much interpretation. She understood that the statute required clarity. Ms. Curtis voiced that the statutes were very clear and listed the specific activities that qualified a business. She listed the licensed entities found in the audit such as a spa, pool hall, travel tour company, etc. were "clearly not in accordance with statute."

Co-Chair Wilson wanted to truly right some wrongs related to licensees but did not want to grant new licenses.

[9:32:19 AM](#)

Representative Knopp maintained his concern regarding the entertainment hours of operation in the bill. Co-Chair Wilson replied that if a business went back to a recreational license they would be allowed to operate in the prior manner.

CSSB 16(FIN) was HEARD and HELD in committee for further consideration.

#sb43

CS FOR SENATE BILL NO. 43 (FIN)

"An Act extending the termination date of the Big Game Commercial Services Board; relating to a person's eligibility to hold a registered guide-outfitter license, master guide- outfitter license, class-A assistant guide license, assistant guide license, or transporter license; and providing for an effective date."

[9:33:48 AM](#)

Co-Chair Wilson relayed that she would hold the bill in committee. She expected that an amendment was forthcoming. She indicated that some concerns regarding the board lingered. She asked to hear from Legislative Audit regarding the recommended 5 year period of extension and consequences of a shorter extension period.

KRIS CURTIS, LEGISLATIVE AUDITOR, ALASKA DIVISION OF LEGISLATIVE AUDIT, shared that more than 800 hours had gone into the audit and it had cost approximately \$70,000. She shared that the division had just recently audited the board; three years prior in 2015 and again in 2018. She had recommended a two year extension in the past for another board due to serious public safety concerns. Typically, a three year extension meant they had serious concerns. She indicated that they could begin another audit in the coming year. However, she did not believe they would find anything to draw a different conclusion. The term of extension was exclusively a legislative decision. Legislative Audit Division would place the audit first in a queue and make it a priority if the legislature made it a priority.

Co-Chair Wilson wondered why the division only recommended a 5 - year audit versus and 8 - year audit. Ms. Curtis answered that the division had recommended a six-year extension. The Senate Finance Committee had changed the period to five years over concerns about the investigation. She clarified that the audit did not conclude that the board did a poor job with investigations. The audit did conclude that there had been no documentation to support periods of inactivity. The division was not required to report on the quality of the investigatory decisions, only the efficiency with which decisions were made. The eleven sunset audit criteria that were listed in the back of every

audit report were used unless directed otherwise by the Legislative Budget and Audit Committee (LBA).

9:38:06 AM

Representative Josephson asked about the statement that an audit would be prioritized if requested by the legislature. He asked for details. Ms. Curtis clarified that the division always prioritized items that carried a statutory requirement. She delineated that any legislator could request a performance audit through LBA and if approved, the audit was placed first in the queue of audits. The division would address the audit as resources allowed. Sunset audits were statutorily required and were given priority.

Representative Knopp asked that for every board with a sunset requirement the division was mandated to perform an audit regardless of the extension. Ms. Curtis answered that not all boards had an audit requirement. She pointed out that not all entities with a sunset date had an audit requirement. She elaborated that many occupational boards had the sunset requirement. When a sunset date was put in statute the division performed an audit one year prior to the sunset. Representative Knopp deduced that if he did not want an audit when the board sunset the division was required to perform one regardless. Ms. Curtis answered in the affirmative.

Co-Chair Wilson deduced that a remedy for a concern regarding the length of time investigations were taking would be better addressed via statute versus an audit.

9:40:17 AM

Ms. Curtis answered that LBA wanted a specific focus on a sunset audit the committee could request that the division add an audit criterion. She restated that besides the 11 sunset criteria there was the ability to look at something more deliberately.

Representative LeBon asked for verification that the division would do an audit one year prior to the sunset date of 2024 in the bill. Ms. Curtis nodded in agreement. Representative LeBon asked for clarification regarding who could request a performance audit. Ms. Curtis answered that any legislator could request an audit through the LBA

committee. She reiterated that completing the audit depended on the division's available resources. She noted that the division was completing an audit at present that began in 2015. A special performance audit typically took one year before the audit process began.

Representative Knopp surmised that when there were additional concerns with the board not included in the audit it would require a special audit request that might take three to four more years to address.

Co-Chair Wilson interjected that if there were specific concerns about the board sunset it should be included in the current extension bill. She asked how the additional concerns should be included in the audit via a letter or amending the bill. She wondered what the process was.

Representative Knopp questioned whether a request had to be made in a special audit or if they could be addressed via the sunset bill. Ms. Curtis answered that the most efficient way was to include the concerns in a sunset audit bill. She cautioned the committee that she usually worked with someone making audit requests - audits needed specific criteria in order to answer the question and could not be subjective.

[9:44:06 AM](#)

Representative Knopp relayed that he had heard many concerns about the board, and he planned to recommend a shorter extension period of two years.

Co-Chair Wilson thought there was time to reach out to Ms. Curtis to ensure the committee provided a framework to address the concerns in the bill. She was uncertain that a two year extension was enough time to "get questions answered." Co-Chair Wilson suggested that Representative Knopp's office contact Ms. Curtis for consultation. Representative Knopp declined to consult with Ms. Curtis.

Representative LeBon referenced Ms. Curtis's phrase "best practices." He shared that in the banking industry the term was used often. He believed that it was a "very intangible concept." He cautioned that best practices were carefully crafted and sometimes not to the benefit of the auditee.

[9:47:07 AM](#)

GARY ZEPP, STAFF, SENATOR DAVID WILSON, shared that Senator Wilson appreciated the work the committee had done.

Co-Chair Wilson noted there was possibly another amendment coming forward and would hold the bill until the following meeting.

CSSB 16 (FIN) was HEARD and HELD in committee for further consideration.

#sb10

SENATE BILL NO. 10

"An Act extending the termination date of the Statewide Suicide Prevention Council; and providing for an effective date."

[9:47:52 AM](#)

JACOB GARISH, STAFF, SENATOR SCOTT KAWASAKI, thanked the committee for hearing the bill that would extend the council for another eight years as recommended by the audit.

Co-Chair Wilson spoke to the new fiscal note from the House Finance Committee for the Department of Health and Social Services (DHSS). She relayed that she changed the fiscal note due to the lack of response from the Department of Education and Early Development (DEED) to her requests for further information regarding the list of grantees and specifics about the award amounts and how they utilized the grant. She understood the importance of the council and believed that it needed additional funding for travel and services to respond to emergencies. She elucidated that she deleted \$461.7 thousand from the Grants and Benefits line and added \$61.7 thousand to the governor's request of \$51.3 to the Services line to enable the council to respond to an emergency in any area of the state. She expressed discomfort with authorizing funding for pass through grants without accountability.

Mr. Garish pointed out that AS 14.30.362 (a) and read the following from the statute:

(a) A school district and the department shall provide youth suicide awareness and prevention training approved by the commissioner to each teacher,

administrator, counselor, and specialist who is employed by the district or department to provide services to students in a public school in the state at no cost to the teacher, administrator, counselor, or specialist.

Mr. Garish indicated that currently the funding through the grant program was the only money available to the school districts for youth suicide awareness and prevention training. He was uncertain how the administration would respond if the funding was eliminated. Co-Chair Wilson did not care how the administration was going to respond to actions taken by the committee. She asserted that she understood statute and countered that the grants were not being utilized for the intended purpose. Online training was currently available at no cost to the school districts. She was aware that the grant funding was not awarded to every district. She wondered whether he had documentation showing how the grant money was spent and what districts received the funding. Mr. Garish noted that not every school district received the grant funding. Co-Chair Wilson maintained that every district was required to abide by the statute. She asked if her statement was correct. Mr. Garish replied in the negative. Co-Chair Wilson reiterated that the grants were not going to every school district. She attempted to get specifics from DEED regarding what the grants were being spent on in the current year since the training was online and available to every district. She restated her request for documentation about the grant awards and purpose. Mr. Garish answered in the negative.

[9:51:39 AM](#)

Co-Chair Foster concurred that he would like to see more complete information concerning the grants.

Co-Chair Wilson emphasized that she had tried for one month to get the information. The grants passed through the department and she did not know what the districts spent the money on. She reiterated her concern that not all districts received a grant and that online training was available and was not an unfunded mandate. She recalled testimony from Representative Tarr stating the council mobilized to an area when a suicide happened and provided services, which was the reason she appropriated additional funding to the services line.

Representative Josephson asked if Co-Chair Wilson's proposal was to move away from intervention and to prevention. Co-Chair Wilson answered in the negative. She clarified that she had been unable to get any information about the grants; therefore, she moved some of the funding to services. She determined that a very valuable service of the council was to provide services to a community in response to suicide. She appropriated approximately \$110 thousand to the council to carry out the emergency services.

[9:53:33 AM](#)

Representative Josephson remembered that the committee had previously approved the \$400 thousand for grant funding. Co-Chair Wilson agreed with the statement. She recounted that she had no response from DEED on what the funds had been spent on. The training was online at no cost to teachers. Representative Josephson asked how the other body saw the matter. He asked whether the fiscal note had been funded by the Operating Budget Conference Committee. Co-Chair Wilson responded that the funding was included in a fiscal note and "was completely different than the operating budget" and was a "totally different piece of legislation." She was unaware of what the other body was proposing.

Mr. Garish answered that \$70,000 of the grant funding was appropriated to the online modules and the other funding went to various things including competitive grants in the amount of \$25 thousand that school district could apply for. Co-Chair Wilson asked what specifically the \$25,000 in grant funding was being used for. Mr. Garish replied that he included supporting documents in the committee packets. He deferred to the department for details.

Co-Chair Wilson asked for specific information regarding what the grants were used for and why some districts were chosen over others.

[9:55:59 AM](#)

SHARON FISHEL, EDUCATION SPECIALIST, SCHOOL HEALTH, SAFETY, AND ALTERNATIVE EDUCATION, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT (via teleconference), indicated that she managed the council's grant funds. She detailed that currently 9 school districts received grant funding for

suicide prevention. She reported that the Anchorage School District used the funding in its most at risk schools to train staff. She listed the following schools: McLaughlin, New Path High School, AVAIL, Benson Secondary/SEARCH, SAVE High School, and Crossroads School. The funding was used for Safe and Civil Schools training that fostered a positive school climate. The Mat-Su School District used its funding for the You Are Not Alone Club that trained students on peer to peer modeling to teach other students on the warning signs of suicide prevention. Currently, the district had trained over 1,400 students since November. She furthered that the Kenai School District used the funding for the Sources of Strength program, which was a peer to peer model. She informed the committee that the Juneau School District also employed the Sources of Strength program and used much of the funding for restorative practices at the Yaakoosge Daakahidi High School. The Petersburg School District used the grant funding to provide mental health counseling and positive behavioral support for all schools. The Fairbanks School District used their funding for the Signs of Suicide Prevention Program (SOS) in all its schools. The North Slope District used the funding for restorative practices and positive behavioral intervention and support. The Bering Straits School District directed its funding for the Youth Leader Program in coordination with the Nome School District, which trained the students to become leaders in suicide awareness and prevention practices. She added that the Lower Yukon School District used the same program. In addition to suicide prevention in the schools, the youth leaders reached out to elders in the community.

[10:01:22 AM](#)

Co-Chair Wilson asked to receive the information in writing during the current day.

SB 10 was HEARD and HELD in committee for further consideration.

#

ADJOURNMENT

[10:01:50 AM](#)

The meeting was adjourned at 10:01 a.m.