

HOUSE FINANCE COMMITTEE

March 24, 2020

9:32 a.m.

9:32:45 AM

CALL TO ORDER

Co-Chair Johnston called the House Finance Committee meeting to order at 9:32 a.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair  
Representative Jennifer Johnston, Co-Chair  
Representative Andy Josephson  
Representative Gary Knopp  
Representative Bart LeBon  
Representative Kelly Merrick  
Representative Colleen Sullivan-Leonard  
Representative Cathy Tilton  
Representative Adam Wool

MEMBERS ABSENT

Representative Dan Ortiz, Vice-Chair  
Representative Ben Carpenter

ALSO PRESENT

Erin Shine, staff, Representative Johnston; Senator Peter Micciche, Sponsor.

PRESENT VIA TELECONFERENCE

Anna Brawley, Title Four Review Coordinator, Agnew Beck, Anchorage.

SUMMARY

CSSB 52 (FIN) am

ALCOHOLIC BEVERAGE CONTROL; ALCOHOL REG

CSSB 52 (FIN) am was HEARD and HELD in committee for further consideration.

SB 134 MEDICAID COVERAGE OF LIC. COUNSELORS

SB 134 was REPORTED out of committee with a "do pass" recommendation and with one new fiscal impact note by the House Finance Committee for the Department of Health and Social Services.

CSSSSB 155 (RES)

EXPLORATION & MINING RIGHTS; ANNUAL LABOR

CSSSSB 155 (RES) was REPORTED out of committee with a "do pass" recommendation and with one previously published fiscal impact note: FN1 (DNR).

Co-Chair Johnston reviewed the meeting agenda.

#sb155

CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 155 (RES)

"An Act relating to exploration and mining rights; relating to annual labor requirements with respect to mining claims and related leases; relating to statements of annual labor; defining 'labor'; and providing for an effective date."

9:35:26 AM

Co-Chair Johnston asked if the committee wanted a brief introduction or had any further discussion on the bill.

Co-Chair Foster MOVED to report CSSSSB 155 (RES) out of Committee with individual recommendations and the accompanying fiscal note.

There being NO OBJECTION, it was so ordered.

Co-Chair Johnston reminded members to stay after the meeting to sign bills.

CSSSSB 155 (RES) was REPORTED out of committee with a "do pass" recommendation and with one previously published fiscal impact note: FN1 (DNR).

#sb134

SENATE BILL NO. 134

"An Act relating to medical assistance reimbursement for the services of licensed professional counselors; and providing for an effective date."

[9:36:58 AM](#)

Co-Chair Johnston asked her staff to review the new fiscal note.

ERIN SHINE, STAFF, REPRESENTATIVE JOHNSTON, reviewed the fiscal note written by the House Finance Committee. It was brought to the committee's attention that the mental health appropriation bill had already passed from committee and contained mental health general fund funds that were in the previous fiscal note. She reported a fund source change to fund source code 1004 which was undesignated general funds (UGF). The change in the amount of \$911,200 could be found in the fund source section. The change could be reversed in a subcommittee or in the budget process in the following year. Since the mental health bill had already passed, it needed to be switched to general funds for the fiscal note.

Representative Josephson asked what fund source was used previously. Ms. Shine replied that the general fund mental health fund source code 1037 was used. The fund was still a UGF fund but coded differently to track UGF dollars spent on mental health items in the budget.

Representative Knopp asked for further clarification. Ms. Shine responded that it was simply a designation to track the funds through a fund source code. The fund source was not to be confused with the fund source for mental health authority receipts (MTAR). It was a designation of general fund dollars used for mental health purposes.

Co-Chair Foster MOVED to report SB 134 out of Committee with individual recommendations and the accompanying fiscal note.

There being NO OBJECTION, it was so ordered.

SB 134 was REPORTED out of committee with a "do pass" recommendation and with one new fiscal impact note by the House Finance Committee for the Department of Health and Social Services.

#sb52

CS FOR SENATE BILL NO. 52(FIN) am

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

[9:40:21 AM](#)

SENATOR PETER MICCICHE, SPONSOR, introduced himself.

Senator Micciche indicated the bill was a rebalance of the alcohol industry. The bill represented a 9-year effort working with a group of stakeholders including Public Safety, Public Health, legislators, the industry, the Alaska Alcoholic Beverage Control (ABC) Board, and the public. The bill was about promoting a safe business climate, the protection of public health and safety, limiting youth access to alcohol, expanding local control for municipalities, promoting responsible alcohol use, reducing the harms of over-consumption, and implementing change without negatively harming existing businesses and responsible operators. In reviewing the bill, members would likely want to change something. He reiterated the efforts that had been made to reach the current version. He requested that the committee members keep an open mind. As a legislator, he understood about the natural inclination of improving things.

Senator Micciche reported that many of the changes to the bill had taken many months of deliberation before a change was approved, such as the provision regarding local control options for municipalities. He argued that no one would get everything they wanted in the bill. However, everyone would get something. The philosophy was that a rising tide floated all boats. It was not about protecting one individual's piece, but about sharing an expanding pie. There were elements important to the visiting industry, resorts, bars, municipalities, breweries, and distilleries.

He deferred to Ms. Brawley to provide a PowerPoint Presentation.

[9:44:02 AM](#)

ANNA BRAWLEY, TITLE FOUR REVIEW COORDINATOR, AGNEW BECK, ANCHORAGE (via teleconference), provided a PowerPoint presentation titled "Alcoholic Beverage Control (ABC) Board Title 4 Review Project: Overview of Senate Bill 52," dated March 20, 2020 (copy on file.)

Ms. Brawley began with slide 2 to discuss the need for alcohol control and Title 4. She reiterated that the project was a result of many years of work. As Senator Micciche alluded to, alcohol was not like other commodities. There was always a balance between the social and economic benefits of alcohol against the social harms or costs of its misuse.

Ms. Brawley turned to slide 3 and explained that the bill was a product of eight years of work, over 120 stakeholders, and significant discussion about each section of the bill.

Ms. Brawley discussed the diverse stakeholders of the bill on slide 4. The slide provided an overview of the diverse stakeholders that were involved including public health and safety, law enforcement, each tier of the industry, community advocates, and local governments. The group was very diverse bringing many different perspectives to the legislation.

Ms. Brawley spoke of the goals of the Title 4 review process on slide 5. The review was comprehensive in order to make Title 4 work better for everyone. She indicated that in 2012, the ABC Board identified all the different issues the many stakeholders had brought up to improve the laws. The goal was to promote a fair business climate, protect public health and safety, and to make Title 4 a clear and consistent legal framework cleaning up several issues that had been piling up over the years.

Ms. Brawley turned to slide 6. She relayed that in the bill there were some key concepts in Title 4 including a 3-tier system and the difference between a license and a permit. She explained that a license allowed a business to serve or sell alcohol or other privileges for 2 years which was core

to business, versus a permit which was usually a one-time event or specific occasion done by a licensee or an unlicensed entity. Another concept pertained to population limits. She would also be introducing the new concept of endorsements.

Ms. Brawley continued to slide 7. She indicated that the 3-tier system was something that pre-dated statehood. It was something developed at the national level after prohibition. She reported that every state had a version. The 3-tier system essentially stated that those who manufactured and distributed beer should be separate from those who were selling beer to the public. The system was designed to prevent monopolies within the industry. The law had been in place for more than 80 years. There had been several developments since the law's inception. A balance was being struck in the bill between the system that already existed, the changes in the industry, and the changes in consumer demand.

Ms. Brawley turned to slide 8 which showed the different categories of recommendations. They corresponded to subcommittees that met for multiple years to discuss various issues in Title 4. She read the list:

#### Categories of Recommendations

- Alcohol Licenses, Permits and Trade Practices
- Role and Functions of the ABC Board and Staff
- Underage Drinking and Youth Access to Alcohol
- Regulation of Internet Sales of Alcohol
- Technical or Administrative Law Changes
- Local Option Communities\*

\*Note: Local Option recommendations are documented in the report, but not included in SB 52. More comprehensive discussion of Local Option laws is needed in the future.

Ms. Brawley relayed that there were a couple of target provisions in the bill on the topic of local options, but there were no significant changes to local option laws.

[9:48:13 AM](#)

Ms. Brawley reported that slides 9,10, and 11 provided a general overview of the reorganization of licenses. Most of

them already existed in law. They were either being renamed, renumbered, or (in the case of manufacturing licenses) being split into a manufacturing or production license separate from a retail license allowing sales to the public. Slide 9 also provided which endorsements would be associated with each license.

Ms. Brawley moved to slide 10 which showed the retail level licenses that were currently under population limits. The bill proposed keeping them under population limits. The wholesale and manufacturing licenses would be exempt from population limits, as they were not serving the public. She explained that population limits limited the number of outlets selling alcohol to the public to protect public health and safety, as there was an association between population limits and negative impacts such as crime.

Ms. Brawley advanced to slide 11 which showed the additional retail licenses. Most of them already existed in statute and primarily served tourists. They were exempt from population limits. The slide also showed the license types that were proposed to be removed from statute and replaced or converted into other license types to streamline the system.

Representative Wool mentioned license types. He asked how many types were currently in place and how many would be in place if the bill were to pass. Ms. Brawley responded that currently there were 16 license types. The number of licenses would not materially change but the bill would reorganize them.

Representative Wool thought the number was closer to 27. He asked if the REPL [Restaurant/Eating Place License] was population determined. He wondered if the local option was currently in place or being proposed in the legislation.

Ms. Brawley returned to slide 10. There was a Restaurant/Eating Place License (REPL) that was currently under population limits. On slide 11 there was a reference to public convenience. Currently in statute, there was a process in place for an applicant to apply for an additional restaurant license outside of population limits as long as it served "public convenience" as determined by the board. The proposal in the bill was to replace the public convenience system with a system that allowed cities to apply for additional restaurant licenses that were not

tied to an individual application. For example, a city might want 5 more restaurant licenses that could be issued in its jurisdiction. The bill also proposed a seasonal REPL for tourism which would be outside of population limits and available to smaller communities to operate on a seasonal basis, similar to how some restaurants presently operated.

Representative Wool asked if Title 4 was unchanged from the version in place a couple of years prior. He wondered if a municipality had to apply for licenses in advance and could only do so for a certain number of years. Once they exhausted the supply they would have to wait for a period before applying again. Senator Micciche responded that he would be covering the information in the presentation. He reported there was no wait period, application was on an annual basis and a municipality could apply for as many licenses as it wanted. He provided an example.

[9:53:30 AM](#)

Representative Knopp referred to population limits. He wondered how population limit numbers were decided upon. He referenced the changes in the number of breweries from 3000 to 12,000. Ms. Brawley responded that there was a formula in statute that she would be reviewing in the upcoming slides.

Ms. Brawley addressed slide 12 which highlighted some of the licensing recommendations. Most of them would be renumbered but not fundamentally changed. One proposal was to split the existing brewery, winery, and distillery licenses. Currently, a manufacturing license allowed for limited retail sales through a tasting room. She reported that the manufacturing licenses were not allowed retail licenses such as a bar or a package store. The exception was a brew pub license which she would address on the following slide. The bill would split the license into 2 different ones. There would be a production license with either a limited retail license with limited hours and limited sales per customer or an existing retail license with no production or sales limit could be obtained.

Ms. Brawley moved to slide 13. The exception would be the brewpub. It was an attachment to a bar license. She explained that instead of having 2 different types of brewing operations, it would allow for a production license and a retail license. Entities that already had full retail

licenses would be able to continue operations without having a production limit on what they could make currently. For example, existing brew pubs could only produce so many gallons per year.

Representative Wool asked about the diagram on slide 12. He noted that the slide listed brewery and REPL. He asked if a current manufacturer who sold beer could get an REPL and sell beer and wine while having the same stipulations as an REPL. He wondered about an endorsement for a retail tasting room. Ms. Brawley responded that a brewery could not currently obtain a retail license. If an entity had a brewery license, it could only do limited retail sales because it was part of the existing license. They would not be able to get a bar license, a package store license, or a restaurant license. It was part of the original 3-tier system which prevented manufacturers from having retail licenses. The bill was proposing to change the system.

Representative Wool suggested breweries were already selling retail. He wondered, under the proposed Title 4, if breweries would be able to obtain an REPL. Ms. Brawley responded affirmatively provided the breweries were under a certain threshold of size. They had to make less than 300,000 barrels per year which was currently higher than any of the manufacturers in the state.

Representative Wool asked if a brewery with a tasting room could simultaneously have an REPL. Ms. Brawley replied that the proposal in the bill would not prohibit it.

CSSB 52(FIN)am was HEARD and HELD in committee for further consideration.

Co-Chair Johnston recessed the meeting to the call of the chair. [The meeting never reconvened].

#  
ADJOURNMENT

[9:58:15 AM](#)

The meeting was adjourned at 9:58 a.m.