

HOUSE FINANCE COMMITTEE  
March 25, 2020  
1:35 p.m.

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CALL TO ORDER

Co-Chair Johnston called the House Finance Committee meeting to order at 1:35 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair  
Representative Jennifer Johnston, Co-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  
Representative Adam Wool

MEMBERS ABSENT

None

ALSO PRESENT

Senator Peter Micciche, Sponsor; Konrad Jackson, Staff,  
Senator Peter Micciche.

PRESENT VIA TELECONFERENCE

Anna Brawley, Title Four Review Coordinator, Agnew Beck

SUMMARY

CSSB 52 (FIN) am

ALCOHOLIC BEVERAGE CONTROL; ALCOHOL REG

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

Co-Chair Johnston reviewed the meeting agenda.

#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."

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Co-Chair Johnston invited the bill sponsor and staff to address the committee. She asked members to hold questions until the end of the presentation. She announced an amendment deadline of noon the following day.

SENATOR PETER MICCICHE, SPONSOR, relayed that Anna Brawley was online to continue the presentation.

ANNA BRAWLEY, TITLE FOUR REVIEW COORDINATOR, AGNEW BECK (via teleconference), resumed 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) on slide 13 titled "Proposed: Conversion of Brewpubs." [Continued from the March 23, 2020 meeting.] She recounted that the discussion highlighted licensing related changes, specifically the manufacturing and retail licenses for brewpub licenses on slide 13. She expounded that currently, a bar or restaurant license may have an attached brewpub license and produce beer. The bill would streamline and separate the two licenses making them available for breweries, wineries, and distilleries. She moved to slide 14 titled "Proposed: Manufacturer Sales Limits by Product Type" and explained that the proposed limits were in current law. The limits pertained to onsite and offsite sales and clarified the amount of alcohol that could be sold by product type that roughly equated to Alcohol by Volume (ABV). The higher or more potency lowered the amount allowed for sale.

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Ms. Brawley turned to slide 15 titled "Proposed: Endorsements on Licenses"

#### Endorsements

Expand activities and/or premises to fit business model

Add endorsements to existing licenses, giving businesses more flexibility without creating more situation-specific license types.

Endorsements would allow sampling on premises, multiple bar rooms, deliveries by package stores, etc.

Section 10, 04.09.400; endorsements defined in 04.09.410 - .520

Ms. Brawley spoke to the concept of endorsements. She specified that the proposed endorsements were for activities currently allowable. She highlighted slide 16 titled "Proposed: Endorsements"

R-7A | Bowling Alley Endorsement  
R-7B | Package Store Shipping Endorsement  
R-7C | Package Store Delivery Endorsement  
R-7D | Package Store Re-Packaging Endorsement  
[R-1] Multiple Fixed Counter Endorsement  
[R-1] Hotel/Motel Endorsement  
[R-1] Large Resort Endorsement  
[R-3] Package Store Sampling Endorsement  
[M-1] Brewery Repackaging Endorsement

16 Section 10, 04.09.410 - .520

Ms. Brawley related that the endorsements existed in current law, however, some were removed from licensing and converted to an endorsement such as the last three package store listings. She detailed that each endorsement had a biannual fee and was renewed with the base license.

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Ms. Brawley addressed slide 17 titled "Proposed: Limited Free Samples for Package Stores:"

- In current Title 4 Package Stores cannot allow any consumption on premises
- The bill would allow free samples, with a Package Store Sampling Endorsement
- Ounce limits defined as: "Any combination of products, not to exceed the alcohol equivalent of any single product type"
- Ex: Customer A chooses 12 oz. beer. Customer B chooses 6 oz. cider and 3 oz. wine.

- 12 ounce - Beer and Cider\*
- 6 ounce - Wine, Sake, and Mead\*
- 1.5 ounce - Spirits

\* Cider and mead limits depend on alcohol content: products below 8.5% ABV have a higher sales limit.

Section 10, 04.09.490

Ms. Brawley remarked that free samples in package stores was not currently allowed in Alaska but was common in other states. The Package Store Sampling Endorsement was an example of a compromise between industry and regulators. The endorsement allowed producer's customers free samples and a "try before you buy" opportunity especially for high value products but with cumulative limits by product type. The statute left it up to the business to determine how to handle tracking the cumulative limits. Ms. Brawley moved to slide 18 titled "R-7 Standardize Permits:"

- Unlike licenses, permits are typically issued for single events, on or off licensed premises.
- Define all permit types in statute, not just in regulation
- Fee for all permits is \$50 per event day
- Most permits listed are already in statute or regulation
- New permit: Tasting Event Permit, allowing a Package Store to host an event on premises

18 Section 10, 04.09.600; permits defined in 04.09.610  
- .690

Ms. Brawley indicated that most of the proposed permits existed in current statute with a few exceptions. She discussed Slide 19 titled "Proposed Permits:"

- R-7F | Beverage Dispensary Caterer's Permit  
(AS 04.11.230; 3 AAC 304.685)
- R-7G | Restaurant Caterer's Dining Permit  
(3 AAC 304.680)
- R-7H | Club Caterer's Permit (3 AAC 304.690)
- R-7I | Nonprofit Event Permit (AS 04.11.240)
- R-7J | Art Exhibit Permit (3 AAC 304.697)
- R-7K | Alcoholic Beverage Auction Permit  
(3 AAC 304.699)
- R-7L | Inventory Resale Permit (Retail Stock Sale License, AS 04.11.200)
- R-7M | Package Store Tasting Event Permit (proposed)  
[amended ver. E] | Music Festival Permit (proposed)  
[amended ver. E] | Live Music & Entertainment Permit  
(proposed)

Section 10, 04.09.600; permits defined in 04.09.610 - .690

Ms. Brawley noted that most of the existing permits were simply being relocated and renumbered in statute except for the last three listing. She noted that The Music Festival Permit and the Live Music & Entertainment Permit were recently amended in a prior committee. She added that the Music Festival Permit pertained only to existing music festivals in an unorganized borough. The Live Music and Entertainment Permit regulated live entertainment in manufacturer or retail premises and was a new proposal that created consistency with all other license types with event permits.

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Ms. Brawley moved to slide 20 titled "Proposed Package Store Tasting Event Permits:"

- Licensees can only offer products in their inventory.
- Allows a package store to host a special tasting event on its own premises, with onsite consumption of alcohol for those attending event.
- The event may be in the store or another area of the property, such as a special event space. It may not be held in an offsite location.

- Licensees can only offer products in their inventory.
  - Event may last up to 4 hours, and must end by 9 p.m.
  - Must also serve food
  - Each license can host 6 events per year in the same community as the license is located

Ms. Brawley elucidated that if a package store held multiple licenses it could hold up to 6 events at each license but not cumulatively. She pointed to slide 21 titled "Population Limits: Current Title 4 (AS 04.11.400):

Population limits determine how many of each license type may be issued in each community.

Restaurants: 1 per 1,500 residents.

All other license types (bars, package stores, golf courses, breweries, etc.): 1 per 3,000 residents.

Some licenses are exempt from population limits: bars located in hotels or airports, restaurants issued for public convenience, and licenses that serve tourists.

Ms. Brawley elaborated that the population limits were set in statute and regulated under local government jurisdiction. Cities within a borough would have separate population limits based on its number of residents. The statute contained a formula regarding how to calculate residents. The Alcohol Beverage Control Board (ABC) would publish a list of available licenses. Currently, most communities had more bar and package store licenses than the limits would allow.

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Ms. Brawley turned to slide 22 titled "Population Limits: Current Title 4 (AS 04.11.400)." and reviewed population limits under the current Title 4. She recounted that the population limits were separately defined for each local government. She exemplified that a borough would subtract the population of its cities and set its population limits. She pointed out that some license types were exempt from population limits: most exempt license types were designed to serve tourists and travelers, such as hotels or outdoor

recreation lodges. In addition, population limits were set by license types and not as a whole.

Ms. Brawley explained that much discussion took place regarding population limits. Limiting the number of retail access points for alcohol was associated with better public health and safety outcomes. However, it limited the number of licenses available to businesses in each community. She noted that much of the discussion focused on local control and enhanced economic development opportunities. The following slides illustrated three separate proposals that responded to the interest of local control. She presented Slide 23 titled "Proposed Seasonal REPL Tourism:" [Restaurant Eating Place License (REPL)]

- Seasonal restaurant license
- Available in smaller communities (< 40,000 pop.)
- Same operating requirements and privileges as full-year restaurants (REPL)
- Number of licenses per community determined by formula:

Five-year average of annual visitors/months in season = Average monthly visitor population (Residents + average monthly visitors) / 1,500 + Available Seasonal REP Tourism licenses

- Season defined as up to 6 months per year, in any combination
    - Example: May through September + 1 winter month
- Section 10,04.09.350

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Ms. Brawley advanced to slide 24 titled "Proposed: Convert Public Convenience Licenses and Applications." She related that currently public convenience licenses were issued by ABC, were not subject to population limits, and not transferrable to a new location. The proposal eliminated public convenience licenses and converted them into Restaurant Eating Place Licenses (REPL). She reviewed Slide 25 titled "Proposed: Local Government Petition for Additional Restaurant Licenses (Proposed AS 04.11.405)." She offered that a local government could petition ABC for additional restaurant licenses. She delineated that the municipality needed to provide a rationale for the petition and the application must include: the number of licenses

requested; total population served in addition to year-round residents in the city; evidence of local authority for public safety and planning; number of existing restaurant licenses in the city. If the ABC granted additional licenses, new restaurant licenses would be available in the municipality, and could not petition again for more licenses for one year. She suggested that it would be in the city's interest to think in the long term and consider how much it wanted the sector to grow.

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Ms. Brawley commented that the following was in response to local governments' concerns regarding package store licenses. She moved to slide 26 titled "Proposed Option to Relocate Some Licenses from a Borough to a City." She indicated that currently, Title 4 allowed relocation of a bar [Beverage Dispensary License (BDL)] from a borough to a city within that borough. The measure expanded the provision to package stores. She moved to Slide 27 titled "Proposal: Regulate Trade Practices:"

Some trade practices are illegal in federal law: practices of alcohol manufacturers and wholesalers to compel retailers' buying decisions or stopping them from buying competitors' products.

Proposed: add equivalent sections to Title 4, protect retailers and allow for state enforcement.

Ms. Brawley commented that the purpose was to remove any kind of restrictions or market pressure from a manufacturer or wholesaler. Ms. Brawley turned to slide 28 titled: "F-1. Adjust License Fees to Reflect Current ABC Budgetary Needs:"

Update license fees according to privileges and administrative costs of each, and collect sufficient revenue to cover the ABC Board's required activities:

Administration of licenses & permits

Education about Title 4 and related regulations

Enforcement of Title 4 and related regulations

ABC Board required to review license fees at least every 5 years.

See Appendix, Table 2 of the Title 4 Review report for current license fees and proposed changes.

Section 6, 04.06.090; License fees throughout Section 10

Ms. Brawley reported that the proposal also updated the fee structure ensuring similar license types paid similar fees. Many fees were not updated since 1980. She referred to the title 4 review report titled "Alaska Title 4 Review for the Alaska Alcoholic Beverage Control Board Recommendations for Statutory Change (Updated February 2019)" (copy on file) included in members' packets. She recommended that members examine Table 2 in the appendix [page 75] that included the proposed changes to license fees.

Ms. Brawley reviewed slide 29 titled "Proposed: More Accountability for License Fees Allocated to Local Governments:

- Current Title 4 allows for local governments to receive an allocation equal to the license fees collected in their area, intended for enforcement of Title 4 and related ordinances.
- Reporting on these activities is required, but not defined in statute. Some jurisdictions report regularly, while others do not.
- The bill includes better reporting and prevention about use of these funds and requiring reports about education activities as well as enforcement.

Ms. Brawley voiced that the proposal required the Alcohol and Marijuana Control Office (AMCO) to create a standardized form to collect the information. The form ensured the information would flow back to AMCO.

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Ms. Brawley advanced to slide 30 titled "RB-4. ABC Board as Key Partner for Alcohol Education Efforts:"

The ABC Board and AMCO, subject matter experts on Title 4, would work with other agencies and organizations to develop a coordinated education plan about responsible alcohol use and applicable laws.

Coordinate with Department of Health and Social Services and other agencies tasked with alcohol-related education.

Section 2, 04.06.075; Section 6, 04.06.090

Ms. Brawley stated that the proposal ensured that ABC and AMCO was coordinating with other agencies and organizations to avoid duplicating alcohol education efforts. She moved to slide 31 titled "Internet Sales in Alaska: Few Rules:"

Alaska is one of the only states with no rules for Internet sales of alcohol.

Alaska Package Stores cannot sell alcohol online, only via (paper) written orders.

Alaska Wineries and Package Stores can ship wine to customers in some circumstances.

Without state laws restricting online sales, there are currently no limits on purchases of alcohol online from out-of-state sellers.

Alaska consumers also do not pay state excise tax on online purchases, as they do on products sold and purchased in state.

Ms. Brawley indicated many in-state businesses had brought up the lack of sales limits and excise tax issues for internet sales characterizing them as unfair. Slide 32 titled "Proposed: Regulate Internet Alcohol Sales:"

- Alaska does not limit online sales of alcohol. Orders from out of state businesses are not subject to Alaska's alcohol excise tax, and the state cannot track how much alcohol is ordered each year.
- The bill would create a Winery Direct Shipment License and allow online alcohol sales only from U.S. wineries and package stores.

Ms. Brawley indicated that the proposal was consistent with actions by most other states regarding the regulation of internet alcohol sales. She noted that the proposal pertained only to the purchase of wine and had similar requirements as package stores; limiting sales to 21 years or older, prohibit sales to someone in a local option area, and limit amount for personal use.

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Ms. Brawley turned to slide 33 titled "Proposed: Regulate Internet Alcohol Sales:"

- Common carriers must be approved by the ABC board to transport and deliver alcohol to consumers throughout the state...,
- Carriers must demonstrate that they have policies and train employees to properly handle shipments of alcohol ...,

Ms. Brawley relayed that regulating internet alcohol sales included regulating the transport and delivery carriers. She disclosed that UPS and FedEx maintained internal policies that only allowed the shipment of wine but not every carrier had regulations for shipping alcohol. The ABC board reviews and approves carriers for alcohol transport and delivery and publishes the list of approved carriers. The proposal would close the largest loophole regarding online sales; not knowing what carriers are shipping alcohol. She addressed Slide 34 titled: "Tracking Alcohol Orders in Local Option Areas: Current Title 4." She related that existing statutes were in place for local option communities to allow importation of alcohol for personal and non-commercial use. Currently the customer sends an order to a package store and the licensee records the new order in the ABC database and verified that the customer did not exceed the monthly order limit. The store coordinated deliver with the carrier. The bill did not change the system. She moved to slide 35 titled "Proposed: Publish Community-Level Data from Local Option Order Database:"

- In current Title 4, all data in the Local Option order database is private and deleted after 1 year.

- The bill would keep individual order information private but retain aggregate data for 10 years and allow the ABC Board to publish annual total sales volume by region or community.

- This valuable information would be available to communities and law enforcement to understand the flow of alcohol into Local Option communities via legal sales.

Sections 7-8, 04.06.095

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Ms. Brawley moved to slide 36 titled "RB-6. Revise Title 4 Penalties:"

Review penalties for all Title 4 sections and revise as needed to make penalties proportionate to the offense, and more consistently enforced.

Retain existing Misdemeanor and Felony charges for serious offenses, particularly those causing harm to children.

Ensure that the ABC Board, and licensee, is informed about Title 4 convictions: require court to send records to AMCO, and AMCO to send to the licensee.

ABC Board retains authority to impose conditions or additional penalties, including suspending or revoking license.

See Appendix, Table 3 in Title 4 Review Report for table of all current penalties and proposed changes.

Defined throughout; most prohibited acts defined in chapters 11 + 16

Ms. Brawley highlighted Slide 37 titled "Proposed: Revise Penalties for Lesser Offenses:

- In current law, almost all violations of Title 4 are Class A misdemeanors.

- When penalties are set high across the board and perceived to be too strict for most offenses, law

enforcement is less likely to issue citations and courts are less likely to pursue those cases.

- In the bill, many penalties would become minor offenses. Serious violations, such as selling alcohol without a license, allowing gambling on the premises, or perjury on a license application would remain misdemeanors or felonies, as they are today.

Ms. Brawley related that currently almost every offense in Title 4 was a Class A misdemeanor and did not provide a sense of proportionality to offenses. The proposal was to downgrade any of the minor offenses from misdemeanors and retain the serious penalties for serious violations. She discussed Slide 38 titled "Proposed: Licensee Penalties for Overserving an Adult or Serving a Minor (AS 04.16.030 and AS 04.16.052):"

- In current Title 4, a licensee or employee who knowingly overserves an intoxicated adult or who serves alcohol to a minor is guilty of a Class A Misdemeanor.

- The bill would change the penalty for both statutes to a Minor Offense, with a \$500 fine.

- In addition to the penalty to the person who commits the violation, the owner of the license would receive an administrative (non-criminal) penalty of \$250. This alerts the owner that a violation occurred, holds them immediately accountable and encourages future compliance.

Section 89, 04.16.030; section 101, 04.16.052; sections 124 - 126, 04.16.180

Ms. Brawley concluded the presentation on slide 39 titled "Proposed: Require Keg Registration:"

- Reduces adults' incentive to legally purchase alcohol and supply an underage drinking party.

- Kegs tagged with the purchaser's contact information can be tracked and if confiscated at an underage party or other situation where minors are given access to alcohol.

- A person, not a licensee, possessing an untagged keg containing alcohol could be fined.

- Modeled on existing Anchorage and Juneau ordinances.

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Co-Chair Johnston asked to hear an explanation of the changes since the original version of the bill.

Senator Micciche reviewed the summary of changes (copy on file). He reported that the legislation was amended in the Senate Finance Committee where three amendments were adopted. He read the following from the summary of changes document:

Amendment 1: Adds new section 04.09.645 to add a Music Festival Permit (page 47, version \E.A) and allows a non-profit organization to hold 10 permitted beer and wine events instead of 5 (page 48, version \E.A).

Amendment 2: Amends AS 04.09.440 to more clearly define the Large Resort endorsement (page 35, version \E.A)

Amendment 3: Amends the Brewery, Winery and Distillery Retail Licenses to more clearly define the permissible activities which can be held on site during business hours (pages 22-24 version \E.A); Allows for up to four live entertainment events per year, subject to approval by ABC (pages 50 version \E.A); Changes the closing time for the premises of manufacturing retail license holders from 8:00pm to 10:00pm (pages 22-23 and 25 version \E.A); Adds new subsection limiting who may be on site between the hours of 10:00pm and 9:00am (pages 87 version \E.A); Changes the population limits for Brewery, Winery and Distillery Retail Licenses from 1:9,000 to 1:12,000 (pages 70-71 ver. \E.A); Adds three transition language paragraphs (pages 120-121 ver.\E.A).

SB 52 was amended on the Senate Floor by one amendment  
Amendment 1: Amended the "cooling off period" from three years to one year following the approval by the ABC of a municipal request for additional licenses.

Senator Micciche explained that Amendment 3 represented "the deal" that was crafted by "the three entities" working collaboratively after numerous public meetings over the past several years. He furthered that one amendment had passed on the Senate floor related to the cooling period. He reminded the committee of the new proposal to allow local governments to petition for additional restaurant licenses. The original bill allowed the local government to petition for additional restaurant licenses once every three years, which was changed to once every year.

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Representative Wool asked if there was a limit set for the additional restaurant licenses. Senator Micciche replied in the negative. He indicated that it was a very specific type of license. He offered that a local government could either have an interested business that would likely apply for the license or use the license to draw a business to their community. He deduced that communities would only want one or two additional licenses. He elucidated that the decision rested with the ABC board via its process. The board would hear from current license holders and the public before issuing additional licenses. He believed that a community with a "good case" for additional licenses would prevail. Representative Wool looked at slide 13 and stated he had never heard of a "mini" brewpub. He asked whether a brewery could apply for an REPL from a local government that was granted an additional license. Senator Micciche deferred the answer to Ms. Brawley.

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Ms. Brawley asked Representative Wool to restate the question. Representative Wool complied. Ms. Brawley answered that currently a Brewpub was able to obtain a REPL subject to population limits and would be able to apply for a REPL under SB 52.

Representative Wool understood the conversion from a brewpub to a mini brewpub. He restated his question regarding whether a brewpub selling food could apply for a REPL from a municipality that obtained an additional license. Ms. Brawley replied in the affirmative. She clarified that the even though the brewpub was seeking the additional license granted to the municipality, it applied directly to the state. Representative Wool referenced the

statement that a business would have to give up their brewery license for an REPL. Ms. Brawley answered that the business could retain both licenses but had to operate each license in separate locations. She related that whether to retain both licenses depended on the business decisions made by the licensee.

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Representative LeBon made a reference to "the grand bargain" for the population ceilings. He noted that the population ceiling had gone from 9,000 to 12,000 and requested more information regarding the change. Senator Micciche answered that "the bill was all about people wanting certain things related to the alcohol industry." He acknowledged that compromises had to be made among the over 120 stakeholder groups. He referenced the Title 4 Review Report and urged members to read it. He shared that in the prior year a "collision" occurred between different industry groups that wanted to control the industry and could not find a compromise. He characterized the population limit compromise as "a rising tide floating all boats." He noted that a new industry business model was successfully operating evidenced by customer support. He thought that other license holders represented by the Alaska Cabaret, Hotel, Restaurant and Retailers Association (CHARR) recognized that the rising tide was floating all boats and decided that middle ground could be found. He described the compromise between breweries and tasting rooms and the more traditional licensees as a measured approach; not allowing the new industry to initially grow too rapidly but loosening restrictions like extending hours and allowing music events by permit. He added that the compromise was talked about in public meetings, stakeholder meetings, publicly discussed in individual board meetings for both organizations [Brewers Guild of Alaska (BGA) and CHARR] and supported by both organization as evidenced by letters of support from both board chairs (copy on file).

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Representative LeBon surmised that the fallout would be from the point of view of "free enterprise" by restricting future entry into the marketplace. The population would allow for two breweries in Fairbanks and unless the population grew the population limits would be a barrier to entry. He wondered if there had been discussion regarding

the economics or potential lost revenue from alcohol taxes collected by communities. Senator Micciche responded in the affirmative. He voiced that there were many ways to answer the question. He remarked that "population limits were how the alcohol industry works." He suggested that there may be a longer term project where the legislature eliminated population requirements. He was a supporter of free enterprise, but there were always population limits in statute. He reiterated the support from CHARR and BGA. He noted that the compromise did not adversely affect public health. He stated that "there were some people who wanted to deal out alcohol licenses like a deck of cards," but public health and safety did not support it. He believed that the compromise struck a balance. There were communities already over the limit but were grandfathered in the legislation. He believed that there would be more future conversations regarding population limits.

Co-Chair Johnston stated that one of the issues with the current liquor licenses was they had built-in equity. She asked if the producer licenses were exchangeable. She wondered if the provision was fostering another system like the medallion system for taxis or alcohol. Senator Micciche answered in the affirmative and added that due to the population limits the licenses would have a secondary market value.

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Co-Chair Johnston stated the whole discussion had occurred with the marijuana industry and the legislature had not imposed population limits with it. Senator Micciche responded that he had been contacted by many marijuana industry participants stating that they favored a limited entry system because many of the businesses were failing at extraordinary rates. The customer bases could not support all the businesses. He felt that there were some economic benefits to population controls and the legislature's job was to find a balance.

Vice-Chair Ortiz thanked Senator Micciche for bringing the bill forward. He asked whether all three amendments were part of the grand bargain. Senator Micciche replied in the negative and recounted that only amendment 3 was applicable. Vice-Chair Ortiz asked for verification that amendment 3 related to extending the closure time. Senator Micciche replied in the affirmative and clarified that

breweries were not under the population limit, but the tasting rooms were. Vice-Chair Ortiz had a letter of support from the CHARR chapter in Ketchikan that supported the bill with the request for passage of the bill unamended. He asked if all the stakeholders involved in amendment 3 were part of the discussion. Senator Micciche assured Vice-Chair Ortiz that if he were to call the individual, he would be told that he was aware of the agreement and thought amendment 3 was part of the bill.

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Representative Knopp wanted to focus his questions on the population limits related to breweries, wineries, and distilleries. He asked whether the limit was one in 1,500. Senator Micciche deferred the answer to Ms. Brawley. He emphasized that the limit was for tasting rooms only.

Ms. Brawley referenced Slide 9 and responded that the slide portrayed the three tiered system of alcohol regulation licensing [manufacture, distribute, and sales]. She indicated that the wholesalers and manufacturers: brewery, winery, and distillery were exempt from population limits. She cited Slide 10 that illustrated the retail tier of the license system would remain under population limits. She pointed out that restaurants were under a one to 1,500 limit and all others were subject to a one to 3,000 limit. Three new licenses were created under the bill: Brewery Retail, Winery Retail, and Distillery Retail that were subject to a one to 12,000 limit for new licenses with existing businesses grandfathered. She mentioned that Slide 11 depicted other retail licenses that were exempt from population limits, such as beverage, dispensary, and tourism. Representative Knopp needed more clarification. He asked whether breweries were subject to the population limit. Ms. Brawley replied that breweries were not subject to the population limit if they were not selling it to the public. However, if the brewery had a tasting room or sold its beer to the public, they would need a retail license that were under population limits. Representative Knopp surmised that if a brewery only manufactured its product it was not subject to population limits. He asked if a brewery with a tasting room required a retail license. Ms. Brawley answered that the brewery would require some type of retail license for the tasting room. Representative Knopp inquired whether one brewery, one winery, and one distillery with a retail license per population limit was allowable.

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Ms. Brawley replied in the affirmative.

Representative Knopp asked for verification that the bill increased the population limit from 9,000 to 12,000. She restated that currently manufacturers had a population limit of one to 3,000 residents. The bill subjected the tasting room license to one to 12,000. She clarified that SB 52 separated the tasting room from the manufacturing license and created its own license that was subject to one to 12,000. One business could hold both licenses if operating two businesses. Representative Knopp wondered whether in a community with three breweries operating only one would be allowed to offer a tasting room or would all three be allowed under the population limits. Ms. Brawley answered that if they currently had the license, they could keep it but with passage of the bill, the new population limit would apply. Representative Knopp surmised only one tasting room would be allowed with a population of 12,000.

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In response to a question by, Senator Micciche, Ms. Brawley replied that the population limit applied to one of each type of manufacturer.

Representative Wool voiced his concerns. He reported that he was a stakeholder in the industry for twenty five years. He related that he had heard from many in the industry that they were unaware of the Senate Finance Committee version of the bill. There were many license holders that were not members of CHARR. He declared that brewers were also members of CHARR regarding the statement that Amendment 3 came from an agreement between brewers and CHARR. He maintained that the amendments added in the Senate Finance committee were monumental. He remembered that when breweries and subsequently distilleries had legislation for creating tasting rooms, the question whether they would become "de facto bars" was answered negatively by testifiers. The reasons given were they would have strict limits on hours of service, limits on amount of alcohol sold, and they would not provide any type of entertainment. The businesses had blossomed into a gathering place where people drink and socialize. He believed that the tasting rooms had become competitors with beverage dispensary licensees and had been the case since 2008 for brewery

tasting rooms and 2014 for distillery tasting rooms, even with the imposed limits. He had talked to the bill sponsor of the 2014 legislation for distillery tasting rooms who stated he was unaware of the change and it was not the intention. He reiterated that he recently discussed the changes with Beverage Dispensary License (DBL) holders who did not know about the proposed changes and they were unhappy with them. He stated that many businesses felt threatened by the increased competition. He thought that the expanded provisions felt like mission creep to many businesses. He understood that people enjoyed the tasting rooms. He supported the concept, but he also supported BDL holders who thought they were purchasing a certain share of the market via their license. He acknowledged that the compromise had been endorsed by CHARR, but he did not believe all people in the industry supported it. He questioned why the agreement was struck recently and not four years prior.

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Representative Knopp asked if Representative Wool had a substantive question.

Representative Wool asked whether the change was a necessary component of the legislation. He emphasized that had not heard from customers regarding the changes but only from brewers. He thought that manufacturers were "pushing" for the changes.

Senator Micciche answered that competition was scary in any industry. He expounded that it was very frightening in the taxi industry where owners invested heavily in the license. He reiterated that a rising tide floats all boats and made other options available. He did not remember ever saying on the record that every BDL owner in Alaska was in favor of the compromise or that every brewery was in favor as well. He contended that breweries did not want the limit on new entrants into the brewery industry. The limit "came from the other side knowing what the end result would look like." They did not want any more mission creep and wanted limited growth in the future. He stressed that he was honoring the agreement. He maintained that had continually heard from customers [of tasting rooms] who were in favor of tasting rooms and "voted with their feet." He offered to provide a large volume of letters from the customers to Representative Wool. He spoke from personal experience

regarding his enjoyment frequenting a local brewery tasting room. He related that a legislator had stalled the compromise by trying to further restrict the conditions on tasting rooms because of fear of competition. He believed that the compromise was a "fair balance" and "good for both sides of the industry." He understood the worry over the value of BDL's. He relayed that the two entities with intimate knowledge of the industry and the issues decided "they could live with the compromise." He included the change in the bill. He acknowledged that most stakeholders, but not all were in favor of the change.

[2:37:32 PM](#)

Representative Knopp cited page 16 of the bill and inquired whether the bowling alley endorsement was a separate liquor license or a contracted service to a bowling alley. Senator Micciche replied that the bill attempted to take the current "hodge podge" of licensing and refine it into three systems: license, endorsement, and permit. He pointed out that the systems avoided the necessity to create another statute every few years for new businesses in the future. He deferred to Ms. Brawley to further answer the question.

Ms. Brawley responded that the bowling alley endorsement would be part of a bar license, which was currently in statute but converted to an endorsement. She understood that some bowling alleys currently use a recreational site license for beer and wine only. Representative Knopp recounted that the Juneau bowling alley had lost its alcohol license in the prior year and did not regain it. He deduced that population limits could prevent the bowling alley from regaining its license but wondered if it could contract with a BDL owner under an endorsement. Ms. Brawley replied in the negative and added that the bowling alley would need a different license type.

Representative Knopp asked Senator Micciche how the bowling alley could get a license.

[2:40:30 PM](#)

Senator Micciche replied that he was unaware of a license or endorsement a bowling alley could obtain in the bill unless it could purchase a BDL for sale in the private market. Representative Knopp deduced that the Juneau bowling alley would need to purchase a BDL. He asked

whether he was correct. Senator Micciche answered that the goal of the bill was not to end up with "a new large batch of BDLs to swamp the market." He explained that the bowling alley endorsement allowed the drink to be taken to the lanes and the drinker did not have to remain in the bar. Representative Knopp wondered whether Taku Lanes in Juneau could acquire a REPL because they served some food.

Representative Wool interjected that Taku Lanes had been previously operating under a Recreational Site License until it was determined that bowling alleys did not fall under the definition of a recreational site. He indicated that a bowling alley needed a BDL. He recounted that in the previous year a bill to save the State Fair [SB 16 - Alcohol Lic: Recreational Sites; Bonds - Chapter 10 SLA 19 - 07/05/2019] was amended on the House floor to include bowling alleys under recreational sites. He believed that Taku Lanes was likely in the application process.

Representative Knopp asked if the recreational site licenses were retained in the bill.

KONRAD JACKSON, STAFF, SENATOR PETER MICCICHE, replied in the affirmative. He directed members to page 19 beginning on line 29 and page 20, lines 1 through 5 of the bill related to the former recreational site licenses and reported that the licenses were grandfathered and would transition to a sporting activity or event license.

[2:44:44 PM](#)

Representative Knopp requested clarification regarding the package store daily sampling permit. Ms. Brawley replied that there were two proposals related to package stores: an endorsement and a permit. She delineated that the package store sampling endorsement allowed for limited free samples daily and the permit would allow the package store to occasionally host events on its premises. Representative Knopp asked for further clarification regarding what was allowable on a daily basis. Ms. Brawley responded that the endorsement would be similar to how the Costco stores provided free food samples daily. The store would still be required to check ID and samples were limited. The event permit was for occasional use only; one package store could hold both the endorsement and the permit but could not use them at the same time.

Representative Knopp asked if an endorsement would allow a tasting room where the customer could taste the product.

[2:47:09 PM](#)

Ms. Brawley answered in the affirmative and added that the samples were free, the store could not sell the samples. Representative Knopp considered the local government petition process for additional licenses. He asked whether the process was subject to population limits. Ms. Brawley answered that the petition process would be initiated by a city or local government and if approved, add restaurant licenses in addition to the limit associated with the population.

Representative Wool had been to package stores to sample, but 12 ounces seemed like a very large amount of beer. He thought that the free sample volumes were large. He asked whether the sample amounts were vetted.

[2:49:14 PM](#)

Senator Micciche recalled that the conversation regarding sample size had taken place three years ago. He had the same opinion when he had first heard of the amount at that time. He offered that the 12 ounce limit was a total, which included samples of other varieties of beer. Representative Wool knew that when tasting rooms had first started, they could not sell product. Currently, it was possible to do both, sell and buy samples. He wondered why.

Ms. Brawley answered that the free sampling was typically related to brewery or winery tours.

[2:51:27 PM](#)

Representative Wool stated that if he went into a tasting room, he could purchase the limited amount and it was lawful to be given a free sample as well. Ms. Brawley replied that there was also a manufacturer sampling endorsement. Representative Wool thought it seemed "strange" they would be able to sample and sell. Senator Micciche clarified that the bill did not create the ability to sample - that was existing law. The topic under discussion regarded package stores. Representative Wool reiterated his statement regarding tasting rooms sampling practices.

Vice-Chair Ortiz communicated the amendment deadline was for the following day at noon.

Vice-Chair Ortiz reviewed the schedule for the following day.

Senator Micciche shared that he was available for any questions.

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

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ADJOURNMENT

[2:54:01 PM](#)

The meeting was adjourned at 2:54 p.m.