

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

May 8, 2019

4:03 p.m.

MEMBERS PRESENT

Representative Adam Wool, Chair
Representative Andi Story
Representative Zack Fields
Representative Sara Hannan
Representative Louise Stutes
Representative Josh Revak
Representative Dave Talerico

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

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."

- HEARD & HELD

SENATE BILL NO. 83

"An Act relating to the Regulatory Commission of Alaska; relating to the public utility regulatory cost charge; relating to the regulation of telecommunications; relating to exemptions, charges, and rates applicable to telecommunications utilities; relating to regulation of telephone services; and relating to alternate operator services."

- HEARD & HELD

HOUSE BILL NO. 97

"An Act relating to the prescription of drugs by a physician assistant without physical examination."

- MOVED CSHB 97(L&C) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: SB 16

SHORT TITLE: ALCOHOL LIC:FAIRS, THEATRES, CONCERTS; BONDS

SPONSOR(s): SENATOR(s) MICCICHE

01/16/19	(S)	PREFILE RELEASED 1/11/19
01/16/19	(S)	READ THE FIRST TIME - REFERRALS
01/16/19	(S)	L&C, FIN
02/05/19	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
02/05/19	(S)	Heard & Held
02/05/19	(S)	MINUTE(L&C)
02/14/19	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
02/14/19	(S)	Scheduled but Not Heard
02/19/19	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
02/19/19	(S)	Moved CSSB 16(L&C) Out of Committee
02/19/19	(S)	MINUTE(L&C)
02/25/19	(S)	L&C RPT CS 5DP NEW TITLE
02/25/19	(S)	DP: REINBOLD, BIRCH, BISHOP, COSTELLO, GRAY-JACKSON
03/08/19	(S)	FIN AT 9:00 AM SENATE FINANCE 532
03/08/19	(S)	Heard & Held
03/08/19	(S)	MINUTE(FIN)
04/01/19	(S)	FIN RPT CS 3DP 4NR NEW TITLE
04/01/19	(S)	DP: VON IMHOF, MICCICHE, WILSON
04/01/19	(S)	NR: STEDMAN, HOFFMAN, SHOWER, OLSON
04/01/19	(S)	FIN AT 9:00 AM SENATE FINANCE 532
04/01/19	(S)	Moved CSSB 16(FIN) Out of Committee
04/01/19	(S)	MINUTE(FIN)
04/08/19	(S)	TRANSMITTED TO (H)
04/08/19	(S)	VERSION: CSSB 16(FIN)
04/09/19	(H)	READ THE FIRST TIME - REFERRALS
04/09/19	(H)	L&C, FIN
05/01/19	(H)	L&C AT 3:15 PM BARNES 124
05/01/19	(H)	Heard & Held
05/01/19	(H)	MINUTE(L&C)
05/08/19	(H)	L&C AT 3:15 PM BARNES 124

BILL: SB 83

SHORT TITLE: TELECOMMUNICATIONS REGULATION/EXEMPTIONS

SPONSOR(s): SENATOR(s) BIRCH

03/11/19	(S)	READ THE FIRST TIME - REFERRALS
03/11/19	(S)	L&C
03/26/19	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
03/26/19	(S)	Heard & Held
03/26/19	(S)	MINUTE(L&C)
04/02/19	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
04/02/19	(S)	Moved SB 83 Out of Committee

04/02/19 (S) MINUTE (L&C)
04/03/19 (S) L&C RPT 4DP
04/03/19 (S) DP: REINBOLD, GRAY-JACKSON, COSTELLO,
BIRCH
04/15/19 (S) TRANSMITTED TO (H)
04/15/19 (S) VERSION: SB 83
04/16/19 (H) READ THE FIRST TIME - REFERRALS
04/16/19 (H) L&C, FIN
04/17/19 (H) JUD REPLACES FIN REFERRAL
05/01/19 (H) L&C AT 3:15 PM BARNES 124
05/01/19 (H) Heard & Held
05/01/19 (H) MINUTE (L&C)
05/08/19 (H) L&C AT 3:15 PM BARNES 124

BILL: HB 97

SHORT TITLE: TELEHEALTH: PHYSICIAN ASSISTANTS; DRUGS
SPONSOR(s): REPRESENTATIVE(s) KREISS-TOMKINS

03/15/19 (H) READ THE FIRST TIME - REFERRALS
03/15/19 (H) HSS, L&C
03/26/19 (H) HSS AT 3:00 PM CAPITOL 106
03/26/19 (H) Heard & Held
03/26/19 (H) MINUTE (HSS)
03/28/19 (H) HSS AT 3:00 PM CAPITOL 106
03/28/19 (H) Moved CSHB 97 (HSS) Out of Committee
03/28/19 (H) MINUTE (HSS)
03/29/19 (H) HSS RPT CS (HSS) NT 4DP 1NR
03/29/19 (H) DP: CLAMAN, TARR, DRUMMOND, SPOHNHOLZ
03/29/19 (H) NR: PRUITT
03/29/19 (H) FIN REFERRAL ADDED AFTER L&C
04/12/19 (H) L&C AT 3:15 PM BARNES 124
04/12/19 (H) -- MEETING CANCELED --
04/15/19 (H) L&C AT 3:15 PM BARNES 124
04/15/19 (H) Scheduled but Not Heard
04/24/19 (H) L&C AT 3:15 PM BARNES 124
04/24/19 (H) Scheduled but Not Heard
04/29/19 (H) L&C AT 3:15 PM BARNES 124
04/29/19 (H) Heard & Held
04/29/19 (H) MINUTE (L&C)
05/06/19 (H) L&C AT 3:15 PM BARNES 124
05/06/19 (H) -- MEETING CANCELED --
05/08/19 (H) L&C AT 3:15 PM BARNES 124

WITNESS REGISTER

ASHLEY STRAUCH, Staff
Representative Wool

Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: On behalf of Representative Wool, introduced the committee substitute (CS) for SB 16 and explained the changes.

ERIKA MCCONNEL, Director
Alcohol and Marijuana Control Office
Department of Commerce, Community & Economic Development
POSITION STATEMENT: Answered questions during the hearing on SB 16.

CODIE COSTELLO, VP Strategic Development & Communications
Alaska Center for the Performing Arts
Anchorage, Alaska
POSITION STATEMENT: Testified in support of SB 16.

MAHLA STROHMAIER, Executive Director
Tanana Valley State Fair Association
Fairbanks, Alaska
POSITION STATEMENT: Testified in support of SB 16.

ROBERT BREWSTER, CEO
The Alaska Club
Anchorage, Alaska
POSITION STATEMENT: Testified in support of SB 16.

SARAH OATES, President/CEO
Alaska Cabaret, Hotel, Restaurant and Retailers Association
Anchorage, Alaska
POSITION STATEMENT: Testified in support of SB 16.

JEROME HERTEL, Manager
Alaska State Fair
Homer, Alaska
POSITION STATEMENT: Testified in support of SB 16.

MARNA SANFORD
Fairbanks, Alaska
POSITION STATEMENT: Testified in opposition to the CS.

PAUL THOMAS, Owner
Alaska Cache Liquor
Juneau, Alaska
POSITION STATEMENT: Testified during the hearing on SB 16.

JACK MANNING, Owner

Duck Creek Market
Juneau, Alaska

POSITION STATEMENT: Testified during the hearing on SB 16.

LEEANN THOMAS, Owner
Triangle Bar
Juneau, Alaska

POSITION STATEMENT: Testified during the hearing on SB 16.

JERAD CURE, Owner
The Narrows
Juneau, Alaska

POSITION STATEMENT: Testified during the hearing on SB 16.

GEORGE TIPTON
Ketchikan Cabaret, Hotel, and Restaurant Retailers Association
Ketchikan, Alaska

POSITION STATEMENT: Testified during the hearing on SB 16.

MACEY SHAPIRO
Hatcher Alpine Xperience
Palmer, Alaska

POSITION STATEMENT: Testified during the hearing on SB 16.

SENATOR PETER MICCICHE
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: As prime sponsor, offered comments during the hearing on SB 16.

BOB PICKETT, Commissioner
Regulatory Commission of Alaska
Anchorage, Alaska

POSITION STATEMENT: Testified during the hearing on SB 83.

DAVID GUTTENBERG
Fairbanks, Alaska

POSITION STATEMENT: Testified during the hearing on SB 83.

CHRISTINE OCONNOR
Alaska Telecom Association
Anchorage, Alaska

POSITION STATEMENT: Testified during the hearing on SB 83.

REPRESENTATIVE JONATHAN KREISS-TOMKINS
Alaska State Legislature

POSITION STATEMENT: As prime sponsor, testified during the hearing on HB 97.

REID HARRIS, Staff
Representative Jonathan Kreiss-Tomkins
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: On behalf of Representative Kreiss-Tomkins, prime sponsor, answered questions during the hearing on HB 97.

ACTION NARRATIVE

[4:03:37 PM](#)

CHAIR ADAM WOOL called the House Labor and Commerce Standing Committee meeting to order at 4:03 p.m. Representatives Fields, Revak, Hannan, Stutes, Talerico, Story, and Wool were present at the call to order.

SB 16-ALCOHOL LIC:FAIRS, THEATRES, CONCERTS; BONDS

[4:04:36 PM](#)

CHAIR WOOL announced that the first order of business would be SENATE BILL NO. 16, "An Act relating to certain alcoholic beverage licenses and permits; and relating to the bond requirement for certain alcoholic beverage license holders."

[4:04:56 PM](#)

ASHLEY STRAUCH, Staff, Representative Wool, Alaska State Legislature, introduced the committee substitute (CS) for SB 16, Version 31-LS0283\0, and explained the changes. She said the scope of a fair license was narrowed, allowing only a nonprofit that has been in existence for five years, as of the effective date of the act, to apply for the license. The scope of the definition of "fair" was narrowed by removing the language "or outdoor entertainment." She stated that the conditions under which a minor may be on the licensed premises of a performing arts theater was clarified to allow minors 16 years or older to be in the presence of alcohol at a theater event and allows minors under the age of 16 to be on the licensed premises of the theater with an adult 21 years of age or older. She said that mirrors the current statute regarding golf courses and works the same as a restaurant designation. Bowling was added to the list of activities allowable under a recreational site license. The hours that a restaurant can provide music were increased to 11

a.m. to 11 p.m. Sporting events were delineated from sporting activities under the recreational site license. A pub license was added as carryover from SB 52. The number of events a nonprofit can hold was changed from 12 to 5. Finally, "concert permit" and "music festival permit" were removed from the original bill.

[4:07:01 PM](#)

REPRESENTATIVE HANNAN asked what a "pub license" is.

CHAIR WOOL explained that a pub license is used for the [Alaska] university system. He said it was adopted from a section in the Title 4 omnibus bill that allowed the University of Alaska Fairbanks (UAF) to use their pub license for the museum in the summer months.

REPRESENTATIVE HANNAN asked if there was only one pub license.

[4:08:40 PM](#)

MS. STRAUCH offered her understanding that there is currently only one pub license at the UAF campus.

[4:08:53 PM](#)

ERIKA MCCONNEL, Director, Alcohol and Marijuana Control Office, confirmed that.

[4:09:06 PM](#)

REPRESENTATIVE STUTES inquired as to the four events that a nonprofit can hold.

MS. STRAUCH clarified that it's five events, which is the number of events that a nonprofit can hold per year where alcohol is served. She noted that the original version of this bill would have increased that to 12 events per year; however, this change brings that number back down to current statute, which is five.

REPRESENTATIVE STUTES questioned whether any nonprofit can submit an application the ABC board without having an associated beverage dispensary license (BDL).

MS. STRAUCH said that is her understanding.

[4:09:57 PM](#)

REPRESENTATIVE FIELDS sought clarification on the "Chickenstock situation" and what it will take for that festival to continue operating.

CHAIR WOOL said the music festival would be addressed after the CS is adopted.

REPRESENTATIVE TALERICO questioned whether the CS removes the concert permit and music festival permit.

CHAIR WOOL confirmed that the CS removes that language.

[4:11:12 PM](#)

REPRESENTATIVE STUTES moved to adopt the proposed committee substitute (CS) for SB 16, labeled 31-LS0283\O, Bruce, 5/4/19, as the working draft.

REPRESENTATIVE TALERICO objected.

A roll call vote was taken. Representatives Story, Fields, Hannan, Stutes, and Wool voted in favor of adopting the proposed CS. Representatives Revak and Talerico voted against it. Therefore, Version O was before the committee by a vote of 5-2.

CHAIR WOOL turned attention to public testimony.

[4:12:43 PM](#)

CODIE COSTELLO, VP Strategic Development & Communications, Alaska Center for the Performing Arts, expressed her support for SB 16 and thanked members for their hard work on this piece of legislation.

[4:13:23 PM](#)

MAHLA STROHMAIER, Executive Director, Tanana Valley State Fair Association, voiced her support for SB 16 because it provides greater clarity and consistency in state law and enables Alaska fair organizations to continue building their long-term financial sustainability. She provided a brief historical background of the Tanana Valley State Fair, noting that the fair is self-sustaining and operates on a combination of earned income from ticket sales, vendor fees, building and ground rentals, grants, and sponsorships. She stated that consistent and standardized alcoholic beverage licensing and permitting

under Alaska statutes offers Alaska fairs the ability to generate important earned revenue that allows those organizations to build, maintain and enhance their abilities to be more sustainable and financially self-supporting. The Tanana Valley State Fair's current business model as it relates to the sale of alcohol, she said, involves contracting with a local business that utilizes its own liquor license and taking a small portion of their sales as earned income. She addressed the fair's 5-year strategic plan based, in part, on making the fairground a year-round community destination. She offered her belief that clarifying Alaska's statute for fairs through SB 16 will provide the Tanana Valley State Fair Association with essential options as they continue to grow its long-term financial viability and overall sustainability.

[4:16:12 PM](#)

ROBERT BREWSTER, CEO, The Alaska Club, informed the committee that The Alaska Club has been a recreational site license holder at their 21 and over summit location for eight years, during which they had never been cited for any violations and had complied with all applicable regulations and fees. He said they worked with an Alcohol Beverage Control Board staff member to obtain their recreational site license and relied on that qualification to construct their premises, define their product, and make representations that beer and wine would be available to members. Two years ago, that license was terminated by the ABC Board only to be won back in an appeal process. This year their renewal was once again denied. He asked for help in correcting the unfortunate outcome of these non-renewals, which serve no valid public purpose and are harming responsible businesses. He encouraged the passage of SB 16.

[4:19:13 PM](#)

SARAH OATES, President/CEO, Alaska Cabaret, Hotel, Restaurant and Retailers Association, disclosed her prior experience working for the Alcohol and Beverage Control Office for seven years. She voiced support for the proposed CS for numerous reasons. She said the prior version of the bill worked against the work that the Title 4 stakeholders' group has been working on, while the CS sticks to their objective. She also praised the deletion of the music festival permit and concert permit. She opined that it is irresponsible and inappropriate to adopt legislation that affects only one entity when that same legislation could negatively impact many other entities across the state. She expressed support for grandfathering in the

existing licensees and those who lost their licenses due to the recreational site language.

[4:23:10 PM](#)

REPRESENTATIVE FIELDS asked for more clarification on Chickenstock. He explained that there is an existing BDL from a local business in Chicken, Alaska, and asked how that business could work with people putting on the festival to ensure that beverages could be dispensed.

MS. OATES offered her belief that the existing beverage dispensary licensee in Chicken has worked to put on Chickenstock. She reiterated that the way the language is written would affect many more businesses than just one individual festival in Chicken, Alaska. She added that the restaurateur who is requesting this change already has the current capability to put on the festival by providing food in a banquet or dinner during the festival.

REPRESENTATIVE FIELDS asked if they could partner with a local bar for a caterer's [permit] if they wanted to serve alcohol.

MS. OATES answered yes.

[4:24:50 PM](#)

CHAIR WOOL asked how [Salmonfest Alaska] currently operates.

MS. OATES offered her belief that they have a nonprofit entity that qualifies for a special events permit.

[4:25:31 PM](#)

REPRESENTATIVE HANNAN inquired as to the process of catering a music festival with either a restaurant license or a full BDL.

MS. MCCONNELL replied that there is a caterer's permit in statute that authorizes a beverage dispensary licensee (BDL) to sell or dispense alcoholic beverages at conventions, picnicks, social gatherings, sporting events or similar affairs held off the holders licensed premises. She said a festival could partner with a BDL to get a caterer's permit to sell at that particular event.

[4:27:31 PM](#)

REPRESENTATIVE HANNAN sought clarification on whether a BDL would allow a caterer to operate at a music festival. She asked if there are any geographic restrictions on how close to their BDL premises they can operate.

MS. MCCONNELL explained that a music festival would fall into the same category as the convention, picknick, social gathering, or sporting event, as listed in AS 411.230 (a). She further noted that there is no geographic proximity requirement.

REPRESENTATIVE HANNAN asked if a bar owner from Kodiak could sell beer at a festival in Chicken, Alaska.

MS. MCCONNELL answered yes.

[4:28:40 PM](#)

REPRESENTATIVE FIELDS addressed the effect of the CS on Arctic Valley Ski Area and Eagle Crest Ski Area and asked if both locations will be places where it's appropriate to dispense alcoholic beverages.

MS. MCCONNELL said yes.

CHAIR WOOL sought clarification on restrictions placed on restaurant or eating place licenses regarding percentage of sales.

MS. MCCONNELL stated that a restaurant or eating place license is in statute at AS 04.11.100 and authorizes the following: a restaurant or eating place may only to sell beer or wine for consumption on the licensed premises; must be a bonified restaurant, as determined by the board; and must provide evidence upon renewal that gross receipts from the sale of food upon the licensed premises constitutes no less than 50 percent of the gross receipts for the entire licensed premises.

CHAIR WOOL established a scenario in which a music festival sells \$100,000 in beer and wine over one weekend. He asked if they would have to sell \$100,000 in food over the rest of the year to satisfy that regulation.

MS. MCCONNELL referred to AS 04.11.100 (e), and said depending on what a music festival caterer permit said, she would interpret it to mean that any receipts from a festival off of the licensed premises wouldn't count towards the receipts that are required in 04.11.100 (e).

CHAIR WOOL disclosed that he is longer in the alcohol business, adding that last year, when he was in the alcohol business, he did not pay himself.

[4:32:34 PM](#)

JEROME HERTEL, Manager, Alaska State Fair, thanked the committee for the opportunity to testify in support of SB 16, calling it legislation that creates a fair license category and will correct some of the shortfalls of Alaska's current statutes that apply to alcoholic beverages. He added that it will also correct the problematic situation that the Alaska State Fair has experienced. This piece of legislation, he said, will provides much needed clarity and understanding to the fair, as well as to the Alaska Beverage Control agency that is in charge of the application of the law. Without this legislation, the Alaska State Fair is at risk of losing a revenue source that would jeopardize the sustainability of the fair. Beer and wine sales are an important part of the experience and are part of a diversified revenue stream that sustains the operation in bad years and allows growth in prosperous years. This revenue stream has allowed the fair to be self-sustaining, one of few in the nation that isn't subsidized by state government. SB 16 preserves the fair's sustainability and allows them to continue serving the people of Alaska.

[4:35:18 PM](#)

MARNA SANFORD expressed her disappointment with the proposed CS, which removes the music festival language. She offered her belief that the "fair bill" was written to impact one entity. Chickenstock, she said, is a family friendly event that has been operating for over a decade; however, with different Alcohol and Marijuana Control Office (AMCO) directors and with different interpretations of the current statute, they went from being able to use one type of a permit to not being able to use it. She noted that it's more complicated than asking the current BDL holder in chicken to use that license. She concluded by saying that she does support the version of the bill that came out of the Senate Finance Committee; however, she does not support the proposed CS.

[4:37:40 PM](#)

REPRESENTATIVE FIELDS asked why it's necessary to have a separate music festival category rather than contracting a BDL from a local business.

MS. SANFORD replied that Chickenstock is the "brainchild" of Chicken Gold Camp & Outpost (CGC). She said they already have a restaurant license, which they cannot use for a music festival. She opined that making them pay a BDL holder for the use of his or her license in order to put on Chickenstock is capitalistic, especially if there is the ability to create a license that allows them to own their idea and benefit from it.

[4:38:50 PM](#)

REPRESENTATIVE STUTES asked what Chickenstock is.

MS. SANFORD said it is a family friendly music festival at CGC, an RV park in Chicken, Alaska. She explained that people from all over the state travel there and camp on site for the festival, which has been in existence for 12 years.

CHAIR WOOL expressed confusion as to why they can't continue to use the same BDL, from Bernie Karl at Chena Hot Springs, that they have using for the last 12 years.

MS. SANFORD said they have been borrowing a BDL from Bernie Karl since the change in leadership at AAMCO, which interpreted the law differently. She noted that they do not have a relationship with the local BDL holder in Chicken, Alaska. She further stated that borrowing a BDL is not the ideal situation when a permit could be created that allows them to operate within their own umbrella.

CHAIR WOOL asked Ms. McConnell for her input on Chickenstock.

[4:42:03 PM](#)

MS. MCCONNELL offered her understanding that [Chickenstock] was being catered under a restaurant caterer's dinner permit, and that the previous AAMCO director determined it was not the appropriate permit for that festival, which is why the change happened in 2016. She further stated that she agrees with that decision.

[4:42:53 PM](#)

REPRESENTATIVE FIELDS said he sees both sides of the problem and asked how it could be solved without a "sweeping legislative fix" that is poorly thought out on either end of the spectrum.

MS. MCCONNELL pointed out that they have worked successfully with a BDL out of Chena Hot Springs for the last three years. She noted that she is not privileged to the details of that relationship. She further noted that the board hasn't taken a position on this issue, and because she works for the board, she is hesitant to insert an opinion.

REPRESENTATIVE FIELDS deduced that the takeaway is that festival operators need to shop around for a BDL from someone.

MS. MCCONNELL said that would be consistent with the current statutes and regulations.

CO-CHAIR WOOL asked how many restaurant or eating place licenses (REPLs) exist.

MS. MCCONNELL answered 386.

[4:44:52 PM](#)

REPRESENTATIVE STORY inquired as to the process for an establishment to work with a BDL license holder.

MS. MCCONNELL said AAMCO will receive an application for a caterer's permit from a BDL, which is then evaluated to ensure that the sale and service of alcohol is compliant with statutes and regulations.

MS. MCCONNELL, responding to a follow-up question from Representative Story, said there are approximately six different permit types in statute that allow the sale of alcohol: caterer's permit, special events permit, restaurant caterer's dinner permit, club license caterer's permit, theatre license, art exhibit permit, and wine auction permit.

REPRESENTATIVE STORY asked which two options are available for Chickenstock.

CHAIR WOOL offered his understanding that the BDL or food banquet option would apply.

[4:48:37 PM](#)

REPRESENTATIVE FIELDS asked if there is a third option for the RV owners to establish a nonprofit to allow a festival on their premises.

MS. MCCONNELL said special events permits are available for eligible nonprofits that have been active for a period of at least 2 years before the time of application.

[4:49:21 PM](#)

REPRESENTATIVE STUTES asked if there was anything under statute for an art exhibit.

MS. MCCONNELL replied that in that section of regulations, "art exhibit event" means a public event involving an art display or similar activity approved by the Board that is held on a single date at one or more art galleries, art studios, art stores, art dealer stores, or museum. She offered her understanding that this permit was created for First Friday type of events.

[4:50:17 PM](#)

REPRESENTATIVE HANNAN asked if a caterer's permit can be issued with a BDL for any location with no food restrictions; while catering with a REPL requires the provision of a full meal.

MS. MCCONNELL said yes, they must be providing a banquet or dinner event.

[4:51:05 PM](#)

PAUL THOMAS, Owner, Alaska Cache Liquor, pointed out that Title 4 is trying to par down all the special, one-off licenses. He opined that the best part of SB 16 is the grandfathering. He discussed the change to the recreational site license and the need to be language specific with the addition of skiing.

CHAIR WOOL acknowledged that they put in language to narrow the focus of what a ski area is.

[4:54:37 PM](#)

JACK MANNING, Owner, Duck Creek Market, reminded legislators that there is another bill that has been in the works for years now, which makes a big change to Title 4. He voiced his strong support for the grandfathering, which will take care of a lot of problems for the licenses that are not getting renewed.

[4:55:34 PM](#)

LEEANN THOMAS, Owner, Triangle Bar, said exit plans for business owners are important because they work hard for their businesses and want something to be able to sell at the end. She said SB 16 has solved some of those problems and she supports the grandfathering. She addressed the need for more specific language when defining a ski area and bowling alley to maintain a regulated industry. She pointed out that in the proposed CS the word "activity" is substituting the original word, "recreation," which she said she does not like.

CHAIR WOOL clarified that some are delineated events and others are delineated activities, like skiing and bowling.

MS. THOMAS expressed further concern with the earlier start time for entertainment at REPLs.

[5:00:49 PM](#)

JERAD CURE, Owner, The Narrows, expressed his concern with changes to the recreational site license. He said that "loose" language allowing anyone with recreational activities to apply for a liquor license will create more issues than it solves. He addressed the grandfathering and said he agrees with saving the license of businesses that have been in operation for many years. Nonetheless, he opined that not all bowling alleys should be allowed to have a liquor license. He expressed further concern with "loose" language regarding the fair license and which activities constitute a fair. He pointed out that he relies on catering during the slower months to provide additional revenue for his business and to keep his staff employed. He offered his belief that allowing anyone throwing a concert to apply for these permits would be a nightmare for an already overwhelmed AAMCO permit staff and would be a detriment to the health and safety of the consumer.

[5:02:53 PM](#)

REPRESENTATIVE HANNAN noted that Mr. Cure expressed some expertise in using his BDL to be a caterer offsite. She asked how far from his licensed premises he would be willing to cater.

MR. CURE replied that he uses his catering permit anywhere in Juneau.

MR. CURE, responding to a follow-up question from Representative Hannan, said that there are probably plenty of BDLs closer to [Chicken, Alaska] that would be willing to take on that job. He offered that the issue isn't getting the permit, it's that they want the money from the alcohol. To that end, he said that he paid \$250,000 to make money off alcohol and that other businesses can do the same or find a business to contract with.

[5:04:31 PM](#)

GEORGE TIPTON, Ketchikan Cabaret, Hotel, and Restaurant Retailers Association, stated that he agrees with some of the changes in the proposed CS. He noted that adding on additional license types continues to do the same thing as what Title 4 is trying to restrict. He said that by adding on, this bill creates short term, impulsive solutions for license and permit types. Overall, he said the CS is a step in the right direction.

[5:07:21 PM](#)

MACEY SHAPIRO, Hatcher Alpine Xperience, announced that they are building a ski area in Hatcher Pass, Alaska. While they build their business plan, he said it's important to find as many revenue streams as possible. One of which, is a beer and wine license. He pointed out that in the working draft, ski and snowboard areas would specifically be included under recreational site licenses and Hatcher would like to solicit an endorsement of this category of beer and wine licenses for ski and snowboard areas in the state. In return, he said, Hatcher pledges responsible management of the serving of any alcoholic beverage to the highest standards, and reciprocally, the state would be providing an avenue to assist families and youth into a sport that promotes a healthy lifestyle.

CHAIR WOOL closed public testimony.

[5:09:31 PM](#)

SENATOR PETER MICCICHE, Alaska State Legislature, as prime sponsor of SB 16, addressed the CS and said he supports nearly all the changes. He said this bill was designed to protect business owners that have been operating for years. He opined that "fair" is well defined and thanked the committee for leaving in the grandfathering. Renewal and transfer of the licenses are two important parts of the grandfathering, he said. He noted the change to a period of five years on the fair

license, which keeps brand new fairs from popping up. He turned attention to Chickenstock and said it has not been as easy as it seems. The license that they have been borrowing is hundreds of miles away and has been a challenge. He said there are creative options that could be considered, such as extending the circumference for an REPL to serve one event per year up to x days that has been in existence for 10 years or more. He emphasized that this bill must pass to save a score of businesses that are at risk right now.

CHAIR WOOL pointed out that with nearly 400 REPLs in existence, allowing them to put on music festivals could upset the balance.

SENATOR MICCICHE clarified that he suggested a stipulation of at least 10 years of existence so that 400 music festivals could not pop up around the state.

REPRESENTATIVE STUTES voiced her appreciation for the idea of REPLs making an accommodation for the event in Chicken.

[5:14:43 PM](#)

REPRESENTATIVE FIELDS agreed that there should be something done to accommodate that festival.

[5:14:56 PM](#)

REPRESENTATIVE STORY referenced page 2 of bill and asked for the rationale behind the change from 3 p.m. to 11 a.m.

CHAIR WOOL said it was for a local business that wanted to have music at lunch. Nonetheless, he said he agrees that changing laws for one specific business could get complicated and lead to 150 different types of licenses, for example.

[5:15:54 PM](#)

REPRESENTATIVE HANNAN asked how many of the REPLs are seasonal locations only.

MS. MCCONNELL answered 52 of the 386 REPLs are seasonal.

[5:17:22 PM](#)

CHAIR WOOL announced that SB 16 was held over.

[5:18:03 PM](#)

The committee took a brief at-ease.

SB 83-TELECOMMUNICATIONS REGULATION/EXEMPTIONS

[5:22:43 PM](#)

CHAIR WOOL announced that the next order of business would be SENATE BILL NO. 83, "An Act relating to the Regulatory Commission of Alaska; relating to the public utility regulatory cost charge; relating to the regulation of telecommunications; relating to exemptions, charges, and rates applicable to telecommunications utilities; relating to regulation of telephone services; and relating to alternate operator services."

[5:23:45 PM](#)

The committee took a brief at-ease.

[5:23:48 PM](#)

BOB PICKETT, Commissioner, Regulatory Commission of Alaska, addressed the staff memo [included in the committee packet] and pointed out that on February 6, 2019 on a vote of 4-1, the commissioners adamantly rejected that language and believed it was inappropriate for a state regulatory agency to "thumb its nose" at the legislature by implying it would undermine a piece of legislation if it passes. He further stated that the Alaska Universal Service Fund (AUSF) is not part of SB 83.

CHAIR WOOL interjected to ask for clarification on what the AUSF is and how it functions.

MR. PICKET said the fund is in statute dating back to the early 1990s. He said it was put there to allow the Regulatory Commission of Alaska (RCA) permissive ability to create a fund that ensured intra-state long-distance service. He noted that it's essentially an "assessment on people's telephone bills" that was less than 1 percent.

CHAIR WOOL asked if the AUSF is a tax that's applied to every landline bill throughout state.

MR. PICKETT said yes, adding that wireless and voice-over internet protocols are funding sources as well; nonetheless, the contribution base shrank, and the tax rose to 3 percent with a

projection of growth up to 25 percent. In an attempt to cap that growth, he said, they added a sunset provision to end the fund on June 30, 2023 and committed to complete a comprehensive review of the program no later than June 30, 2021. At the peak, the whole AUSF program was approximately 34 million per year; however, with current caps at 10 percent it will be less than half of that.

[5:33:15 PM](#)

CHAIR WOOL asked why the fund is decreasing.

MR. PICKETT explained that the majority of a cellphone bill is tied to data. The portion assigned to voice is small, approximately less than 20 percent of the bill.

CHAIR WOOL clarified that the only taxable portion of a cellphone bill is the part that's attributed to voice.

MR. PICKETT affirmed that.

CHAIR WOOL asked if sunseting the AUSF program is the response to higher taxes due to the decreasing fund.

MR. PICKETT said no, step one was to cap [the tax] at 10 percent, which went into effect January 1, 2019. He added that the standalone category of Carrier of Last Resort (COLR) support was replaced with essential network support.

CHAIR WOOL asked how COLR relates to AUSF.

MR. PICKETT said there was a specific category in which direct funds were paid under the COLR category. He added that it doesn't exist anymore.

[5:36:48 PM](#)

CHAIR WOOL, in attempt to understand Mr. Pickett, asked if this fund partially subsidizes the industry to maintain COLR.

MR. PICKETT said, "not anymore," noting that it ended on January 1, 2019.

CHAIR WOOL established a scenario in which a phone line is run out to Chicken, Alaska, which costs the telecom company a lot of money. He asked if that company would receive assistance to

offset the costs, since it wouldn't be recouped from the 25 people that live in Chicken.

MR. PICKETT said the reality is that the company wouldn't receive specific COLR funding, adding that they would receive a declining amount of network support because as the contribution shrinks the cap will be applied.

[5:38:30 PM](#)

MR. PICKETT said he got the impression that people think SB 83 would take away cost of service ratemaking ability that the commission has in the industry; however, cost of service ratemaking has been nonexistent for years. He said the commission has no jurisdiction over wireless rates or broadband rates, let alone any packages for videos.

CHAIR WOOL questioned whether SB 83 would remove the commission's jurisdiction over landline.

MR. PICKETT said not totally. He noted that they still have certificate power, ETC certification power with the FCC.

CHAIR WOOL sought clarification on certification.

MR. PICKETT explained that there is an initial determination as to whether they are eligible for an ETC designation. In addition to that, they have the certificates of public convenience and necessity for which they must show they are fit, willing and able to provide the service they are applying for. He noted that walking away from the certificate requires a proceeding as well.

[5:41:08 PM](#)

CHAIR WOOL questioned whether SB 83 would remove landlines from the regulatory purview of the RCA.

MR. PICKETT said that's not a correct assessment.

CHAIR WOOL asked what SB 83 does in relation to landlines.

MR. PICKETT explained that it cleans up filings that are not actionable. He offered his belief that there should be a purpose other than collecting information when filing something. He said that is one of the frustrations that the industry has,

whereas the co-ops can deregulate with the vote of their membership.

CHAIR WOOL asked if co-ops pay the AUSF.

MR. PICKETT said yes. He reminded the committee that the AUSF is not to be confused with the regulatory cost charges (RCC). He further noted that the current statutory construct is essentially unfair because if co-ops deregulate, they do not pay regulatory cost charges anymore, even though they still have proceedings that use up the RCA's staff time, resources, and legal expenses. This bill, he said, makes all certificated telecom companies pay into it.

CHAIR WOOL deduced that this bill would make co-ops pay the RCC.

MR. PICKETT replied yes, a small amount.

[5:44:56 PM](#)

REPRESENTATIVE FIELDS referencing a letter from Stephen McAlpine that generally endorses the concept of SB 83, asked about the concerns that Mr. McAlpine references.

MR. PICKETT said he shared some of those concerns, adding that they still exist today with the existing statutory construct. He said that with the changes in the federal subsidy stream, these carriers have been hit with substantial reductions while still having to maintain performance standards. He suggested that a coherent state telecom policy direct AUSF funds and appropriately apply them

REPRESENTATIVE FIELDS asked if SB 83 would allow carriers to unilaterally cut off service to small communities with the changes to COLR.

MR. PICKETT said they would have to file with the RCA to abandon service or abandon their certificate. Then it's up to the commission to approve or deny.

REPRESENTATIVE FIELDS asked what the COLR language in SB 83 does if they still have to come before RCA.

MR. PICKETT said it prevents the RCA from imposing unfunded COLR responsibilities that are over and above their ability to be fit willing and able to provide the service they signed up for or to stay in compliance with the federal ETC regulations.

REPRESENTATIVE STUTES asked why most co-ops support SB 83.

MR. PICKETT offered his belief that the co-ops realize if this does not happen, the RCA will start billing them for proceedings.

[5:51:05 PM](#)

REPRESENTATIVE STUTES said it sounds like passage of this bill could prevent a huge increase in the amount of people's phone bill.

MR. PICKETT said it depends on the size and the nature of the proceeding. He added that they have already seen a decline since the AUSF reform that went into effect January 1, 2019 that dropped the surcharge from 20 percent to 10 percent.

[5:52:07 PM](#)

REPRESENTATIVE HANNAN sought clarification on whether the co-ops are charged when they come before the RCA board.

MR. PICKETT said they are not charged. Essentially, he explained, the companies that are paying the RCCs are funding the commission's common carrier staff and section, as well as all the associated staffing positions and the administrative overhead.

MR. PICKETT, responding to a follow-up question from Representative Hannan, said as long as the co-ops are deregulated, they do not have to pay RCCs.

REPRESENTATIVE HANNAN asked what RCCs are.

MR. PICKETT answered regulatory cost charges, which funds the RCA. He added that the RCA doesn't receive general funds.

REPRESENTATIVE HANNAN asked why co-ops were allowed to deregulate several years ago.

MR. PICKETT stated that the co-ops deregulated under state statute. He explained that it's subject to a vote of the co-op members and approval from their respective governing boards. Nonetheless, the statute very clearly gives them that ability.

[5:54:15 PM](#)

CHAIR WOOL offered his understanding that if a co-op deregulates then the RCA can bill them for any interactions.

MR. PICKETT said the bill must be cost-based; however, the RCA has not done that.

CHAIR WOOL opined that if a co-op votes to be deregulated and therefore not pay RCCs, it seems fair that the RCA assess the charges they have incurred and send them a bill. He said it is the tradeoff for the co-op being deregulated.

MR. PICKETT explained that part of the challenge is assessing the administrative efficiency because there is an administrative cost to the proceedings. He continued to say that because the RCCs are so small, it seems to be more effective for what is included in SB 83.

CHAIR WOOL asked for clarification on what is more effective.

MR. PICKETT said the way they are proposing to spread the RCCs over all telecom companies.

CHAIR WOOL concluded that SB 83 would take RCCs and apply them to every telecom company, regulated or nonregulated.

MR. PICKETT said that is correct.

CHAIR WOOL gathered that under SB 83, a telecom co-op in the Matsu that didn't charge RCCs would now have to.

MR. PICKETT affirmed that.

CHAIR WOOL turned attention to public testimony for SB 83.

DAVID GUTTENBERG, said that SB 83 is a deregulation bill, adding that the ramifications are not yet understood. He opined that with telecom regulations, it's important to read between the lines and often what's being inferred is significant. He continued by saying that it's important to pay attention to the way in which the AUSF money is spent. He said there is no accountability for it and it's not part of this bill, but even so, he said that the RCA will continue to allocate money for whatever formula they want, adding that it's important to look at how that will impact the industry. He said they are not putting in new hard lines so almost all their money is going towards internet expansion and nobody knows what that is. He

said it is behind a corporate veil. He added that the nature of telecom is changing. He pointed out that the late U.S. Senator Ted Stevens set up the AUSF. He emphasized that the reason Alaska has its own little version of that is to take care of the small, rural communities, like Healy Lake. He encouraged the committee members to fully understand this bill and what the ramifications will be before passing it out of committee. He addressed the staff notes [memorandum] and said they raise serious concerns. One of which, is that the RCA could sit down with the industry and streamline all the regulatory issues together. He said he questions the public purpose of the bill.

[6:04:36 PM](#)

MR. PICKETT said he respects Mr. Guttenberg's comments. He asserted that the RCA should be involved with the comprehensive review of the AUSF now.

[6:06:09 PM](#)

REPRESENTATIVE HANNAN asked how long the comprehensive study of the AUSF will take.

MR. PICKETT said it's in regulation that the RCA will commence a comprehensive review of the AUSF by no later than June 30, 2021. He added that it will take two years of information gathering and working with all impacted parties before being able to start the rulemaking if there is any intention to keep the fund going.

[6:07:04 PM](#)

REPRESENTATIVE HANNAN asked how SB 83 affects that.

MR. PICKETT said it doesn't.

REPRESENTATIVE HANNAN asked if the AUSF review will commence in 2021 to be completed by 2023, regardless of whether SB 83 is passed or not.

MR. PICKETT said SB 83 has nothing to do with the AUSF or the study related to it.

[6:08:06 PM](#)

CHAIR WOOL said the passage of this bill would take the RCA out of landline ratemaking business; however, there are still

federal laws that could limit how much carriers could charge regarding rates. He asked if that is correct.

MR. PICKETT said that the RCA using cost of service ratemaking for landlines is a theoretical construct.

CHAIR WOOL asked about federal laws governing how much a telecom company can charge for landlines rates.

MR. PICKETT said he does not know.

[6:12:47 PM](#)

CHRISTINE OCONNOR, Alaska Telecom Association, said she is unaware of any limits on business rates.

CHAIR WOOL asked if a school in Fort Yukon, Alaska would have to operate under any rate caps because they are nonresidential.

MS. OCONNOR said she believed that to be correct, reiterating that she is unaware of any federal caps on business rates.

CHAIR WOOL questioned whether they would have any competition in that if they were the only carrier.

MS. OCONNOR acknowledged that they would not have any competition.

[6:13:31 PM](#)

REPRESENTATIVE TALERICO observed that there appears to be some redundancy with federal government regarding some of the services that will be eliminated. He asked if that is a correct assumption.

MR. PICKETT said he would not characterize it as a redundancy.

[6:15:02 PM](#)

CHAIR WOOL closed public testimony and announced that SB 83 was held over.

HB 97-TELEHEALTH: PHYSICIAN ASSISTANTS; DRUGS

[6:15:45 PM](#)

CHAIR WOOL announced that the final order of business would be HOUSE BILL NO. 97, "An Act relating to the prescription of drugs by a physician assistant without physical examination."

[6:16:10 PM](#)

The committee took a brief at-ease.

[6:16:14 PM](#)

REPRESENTATIVE JONATHAN KREISS-TOMKINS, as prime sponsor of HB 97, explained that the bill is companion legislation to a bill in the Senate. He said it is effectively a "fix-it" bill, as there was an inadvertent omission from the legislature's telehealth bill that left out physicians' assistants (PAs). He stated that HB 97 fixes that.

REPRESENTATIVE HANNAN sought clarification about the change on page 3, line 2, from "person" to "patient."

[6:18:55 PM](#)

REID HARRIS, Staff, Representative Jonathan Kreiss-Tomkins, Alaska State Legislature, on behalf of Representative Kreiss-Tomkins, prime sponsor, explained that "person" was the original language that was then changed to "patient" to reflect a change that was made in the Senate bill, SB 44. It was then realized that "patient" is not defined in statute and therefore, changed back to "person."

[6:19:49 PM](#)

REPRESENTATIVE HANNAN questioned whether it has anything to do with the oversight of PAs being left out of the original telehealth medical directive.

MR. HARRIS answered no. He explained that the entirety of the bill deals with PAs being left out of the initial medical directive, which was from SB 44 in 2016. The "person" "patient" change was more of a drafting mistake, he said.

The committee took a brief at-ease.

[6:21:25 PM](#)

REPRESENTATIVE STUTES moved to report CSHB 97, Version LS0695\S, Fisher, 4/23/19, out of committee with individual recommendations and the accompanying fiscal notes.

REPRESENTATIVE REVAK objected and subsequently removed his objection. There being no further objection, CSHB 97 was moved from the House Labor and Commerce Standing Committee.

[6:22:54 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 6:22 p.m.