

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

February 5, 2019

1:33 p.m.

**MEMBERS PRESENT**

Senator Lora Reinbold, Chair  
Senator Mia Costello, Vice Chair  
Senator Click Bishop  
Senator Chris Birch  
Senator Elvi Gray-Jackson

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

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."

- HEARD AND HELD

CONFIRMATION HEARING(S) :

Alaska Labor Relations Agency  
Paula Harrison - Anchorage

- CONFIRMATION ADVANCED

Bob Shefchik - Fairbanks

- CANCELLED/APPOINTEE WITHDREW

Board of Public Accountancy  
Wes Tegeler - Wasilla

- CONFIRMATION ADVANCED

Karen Smith - Anchorage

- SCHEDULED BUT NOT HEARD

Board of Certified Direct-Entry Midwives  
Cathy Moser- Willow

- CONFIRMATION ADVANCED

Dana Espindola - Eagle River

- CANCELLED

**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

CONFIRMATION HEARING(S):

No previous action to record

**WITNESS REGISTER**

SENATOR PETER MICCICHE  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Testified as sponsor of SB 16.

EDRA MORLEDGE, Staff  
Senator Peter Micciche  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Presented a sectional analysis of SB 16 on behalf of the sponsor.

PAULA HARRISON, Appointee  
Alaska Labor Relations Agency  
Office of the Commissioner  
Department of Labor and Workforce Development  
Anchorage, Alaska

**POSITION STATEMENT:** Testified as appointee to the Alaska Labor Relations Agency, Department of Labor and Workforce Development.

WES TEGELER, Appointee

BOB KLEIN, Chair  
Alcoholic Beverage Control Board  
Department of Commerce, Community and Economic Development  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of SB 16.

LARA MCGINNIS, Member  
Alaska State Fair Board  
Kenai, Alaska

**POSITION STATEMENT:** Testified in support of SB 16.

JIM VARSOS, representing himself  
Wasilla, Alaska

**POSITION STATEMENT:** Testified in support of SB 16.

JEROME HENTEL, Manager  
Alaska State Fair  
Palmer, Alaska

**POSITION STATEMENT:** Testified in support of SB 16.

ERIKA MCCONNELL, Director  
Anchorage Office  
Alcohol and Marijuana Control Office (AMCO)  
Department of Commerce, Community and Economic Development  
Anchorage, Alaska

**POSITION STATEMENT:** Testified and answered questions during the discussion of SB 16

KRIS CURTIS, Legislative Auditor  
Legislative Audit Division  
Legislative Agencies and Offices  
Juneau, Alaska

**POSITION STATEMENT:** Testified and answered questions related to sunset audit for the ABC Board.

MATT GILL, Manager  
Ginger Restaurant  
Anchorage, Alaska

**POSITION STATEMENT:** Testified during the discussion of SB 16.

JASON ORTIZ, Secretary  
Alaska State Fair  
Palmer, Alaska

**POSITION STATEMENT:** Testified during the discussion of SB 16.

SUZY CROSBY, representing self  
Palmer, Alaska

**POSITION STATEMENT:** Testified in support of SB 16.

CODIE COSTELLO, Vice-President;  
Director of Development  
Alaska Center for the Performing Arts  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of SB 16.

WES TEGELER

Board of Public Accountancy  
Division of Corporations, Business and Professional Licensing  
Department of Commerce, Community and Economic Development  
Wasilla, Alaska

**POSITION STATEMENT:** Testified as appointee to the Board of Public Accountancy, Department of Commerce, Community and Economic Development.

CATHY MOSHER, Appointee

Board of Certified Direct-Entry Midwives  
Division of Corporations, Business and Professional Licensing,  
Department of Commerce, Community and Economic Development  
Willow, Alaska

**POSITION STATEMENT:** Testified as appointee to the Board of Certified Direct-Entry Midwives.

#### **ACTION NARRATIVE**

[1:33:32 PM](#)

**CHAIR LORA REINBOLD** called the Senate Labor and Commerce Standing Committee meeting to order at 1:33 p.m. Present at the call to order were Senators Costello, Bishop, Gray-Jackson, Birch and Chair Reinbold.

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

[1:34:34 PM](#)

CHAIR REINBOLD 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."

[1:36:23 PM](#)

SENATOR COSTELLO made a clarifying motion to bring the original version of the bill before the committee.

SENATOR BISHOP objected for the purpose of discussion.

[1:36:44 PM](#)

SENATOR PETER MICCICHE, Alaska State Legislature, sponsor of SB 16, referred to the bill as the "Save the Alaska State Fair Act." He said his priority is to pass the portion of the bill related to fairs so the Alaska State Fair (ASF) can operate this fall.

SENATOR MICCICHE said SB 16 is part of his ongoing effort to rewrite Title 4, related to alcoholic beverages; however, he found some areas of the law were more pressing. He briefly explained that Section 1 would add two new license types related to fairs and performing arts centers and one permit type related to concerts.

SENATOR MICCICHE stated that members may have recently heard in the news or from constituents that the Alcohol & Marijuana Control Office (AMCO) office recommended denying the ASF a recreational site license because the office no longer considers that AFS meets the definition for this license type per recent legislative audits. Section 2 would add a new license type to remedy the situation. Secondly, SB 16 would add a new license type for performing arts theatres, previously in regulation. It would increase biennial fees from \$800 to \$1,250 and allow the sale of alcohol in multiple and non-contiguous locations at a specific performing arts theatre site, including in the audience viewing areas. It would also extend the hours allowed to serve alcoholic beverages to two hours before and one hour after the event. Third, the bill would add a concert permit to allow the recreational site licensees to sell beer and wine on the licensed premises during a period from one hour before the concert until the end of the concert or similar event. Finally, SB 16 would add a new fair license to the population limitations under AS 04.11.400 and provide an exemption from the bonding requirements under AS 43 to reward taxpayers who file and pay their taxes timely for three consecutive years. Although the fiscal note from Department of Commerce, Community and Economic Development (DCCED) is for \$2,500, he is currently holding discussions with the department since notices can now be printed online.

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EDRA MORLEDGE, Staff, Senator Peter Micciche, Alaska State Legislature, on behalf of the sponsor, reviewed the bill sectional analysis of the bill, which read as follows, [original punctuation provided]:

Section 1: Amends AS 04.11.080 - Types of Licenses and Permits - to add 'performing arts theater license,' 'fair license,' and 'concert permit.'

Section 2: Adds a new section (AS 04.11.205) Performing arts theater license. This section defines this type of license, the biennial fee for the license, and the circumstances for issuance and compliance.

Section 3: Adds a new section (AS 04.11.215) Fair license. This section defines this type of license, the biennial fee for the license, and the circumstances for issuance and compliance.

Section 4: Adds a new section (AS 04.11.235) Concert permit. This section defines this type of license, the biennial fee for the license, and the circumstances for issuance and compliance.

Section 5: Amends AS 04.11.400(a) to specify that a new license may not be issued and the board may prohibit relocation of an existing license in accordance with population limits.

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Section 6: Establishes under AS 04.11.0400(o) that only one fair license may be issued per borough.

Section 7: Adds the new licenses/permit to the list of those required post notice on the designated premise.

Section 8: Adds language section (i) to AS 43.60.040 Administration and Enforcement of Tax

Section 9: Adds language regarding section (i) to AS 43.60.040 Administration and Enforcement of Tax

Section 10: Adds a new section (i) to AS 43.60.040 Administration and Enforcement of Tax. This section states that the department may not require a bond from an entity that has filed timely monthly tax returns and paid necessary taxes over the most recent three years, if that entity remains in compliance. In the case of noncompliance, the department must notify the

entity within 30 days that they are required to file a bond.

MS. MORLEDGE clarified that Section 10 rewards timely filing and payment of taxes for the most recent three years and removes the bonding requirement if the entity has met that threshold.

[1:42:12 PM](#)

SENATOR MICCICHE said that fairs are important to Alaskans for cultural and recreational aspects and for the agricultural industry of the state. He reported that alcoholic beverage sales at the ASF make the other activities possible because the proceeds help fund the remainder of the fair.

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CHAIR REINBOLD opened public testimony on SB 16.

[1:43:34 PM](#)

BOB KLEIN, Chair, Alcoholic Beverage Control Board (ABC Board), said he is a licensee and serves as Treasurer for the Alaska Center for the Performing Arts. He has worked with the sponsor on revisions to AS 04, including provisions for recreational site licenses. He characterized SB 16 as "a breath of fresh air." He said the bill would clarify three license types that were "shoehorned" into a definition geared more for events such as hockey or baseball games. He said that SB 16 will give the board the latitude and ability to control future activities for fairs and concerts. As the sponsor mentioned, the Anchorage Performing Arts Center's (PAC) activities are currently covered by regulation. This bill would put provisions in statute to allow performing arts centers to serve alcoholic beverages at events, similar to the way most performing arts centers in the U.S. serve alcoholic beverages at their theatres.

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LARA MCGINNIS, Member, Alaska State Fair Board, stated that she previously served as manager for the Kenai Peninsula Fair (KPF) in Ninilchik. She emphasized the importance of providing the ASF with a liquor license, not just for clarification, but for control. She related her experience with the KPF, which offered alcoholic beverages and then tried to operate the fair without alcoholic beverages. When the fair tried to go "dry" it only encouraged patrons to sneak alcoholic beverages into the fair and fair operators had no control over alcoholic beverages. She offered her belief that it would be horrendous for the Alaska State Fair to monitor this type of issue due to its large size.

She said fairs should be able to offer alcoholic beverages legally and responsibly, served by people who are trained to sell it. Servers who do not sell alcoholic beverages properly suffer consequences. She offered her belief that SB 16 as an important bill and the sooner this issue can be resolved, the better. She said that under the current law the ASF will need to make up lost revenue that should be spent in other ways.

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JIM VARSOS said he is also known as Hobo Jim [a folksinger songwriter]. He has performed at the ASF for over 37 years and at the Kenai Peninsula Fair when it was "dry" and when it was "wet." He said he hopes people realize how critical alcoholic beverage sales are to major events at fairs because they cannot afford to bring in big name entertainment acts without proceeds from alcoholic beverages. He has observed a high-level of professionalism by alcoholic beverage servers. He said he was not aware of any fair or annual event in the U.S. that has been denied a liquor license. He said he strongly supports SB 16.

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JEROME HENTEL, Manager, Alaska State Fair, stated his support for SB 16, which would add ASF as a recreational site so it will not be subject to misinterpretation or inconsistencies in enforcement. The bill will better define the business model of the fair. The ASF has been serving Alaska for the last 80 years through activities, including, youth development, 4-H and Future Farmers of America activities. The ASF spends over \$200,000 in educational opportunities. The ASF is a non-profit fundraiser for Rotary Clubs, the Lions Club [International], and the [American] Farmland Trust. For example, over \$22,000 was generated for 4-H auction last year. He said the ASF boosts Alaska's economy by over \$23 million and creates over 2,000 jobs during the 12-day ASF. The ASF generates over \$100,000 in taxes from beverage sales alone and revenues from alcohol sales offset those costs. This bill will solve an issue that arose when the Alcohol & Marijuana Control Office (AMCO) interpreted that the ASF does not meet the recreational site license qualifications. He said that for the past 37 years it did qualify and the ASF has responsibly served alcohol during that time. This bill will allow the fair to continue to sell alcoholic beverages. Although revenue from alcoholic beverage sales does not represent the main fair revenue source, it does provide revenue for operational and planning costs, especially in off-years. He urged support for SB 16. He said, in part, SB 16 would create a new "fair license," so the ASF can serve up to 45,000 people per day at the fair.

[1:53:23 PM](#)

SENATOR COSTELLO related her understanding that ticket prices will be affected if this bill does not pass.

Mr. HENTEL said that historically ticket prices for the ASF have ranged from \$10-\$15, depending on the day and specific promotion. He said he was unsure if the entrance fees would increase. He reported that alcohol sales equate to about 20 percent of the budget. He related the ASF Board's goal is to keep prices as low as possible to allow everyone to attend. He emphasized that lost revenue from alcoholic beverage sales would have a devastating effect on fair revenues, especially if numbers were down due to inclement weather during the fair or if the economy suffers a downturn. The organization hosts 70 or more events besides the fair that helps offset expenditures, but a 20 percent loss would have a dramatic effect on total revenues.

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CHAIR REINBOLD asked him if he has any questions for the Legislative Budget and Audit Division or other staff as to the genesis of this bill.

MR. HENTEL said he was curious why the ABC Board singled out Alaska State Fair, even though he applauded the agency for bringing the issue before the legislature.

[1:57:08 PM](#)

ERIKA MCCONNELL, Director, Anchorage Office, Alcohol and Marijuana Control Office (AMCO), Department of Commerce, Community and Economic Development (DCCED), referred to the 2014 and 2017 legislative audits. During the audits, auditors found the ABC Board was improperly issuing recreational site licenses to establishments that did not meet the statutory requirements for such a license. She reported that many sites did not meet the requirements. However, the state fair should not feel singled out since the auditors identified numerous sites who did not appear to meet the requirements and referred them to the ABC Board for action. During her tenure she has brought issues raised by audits to the board's attention to address. She said the ASF's license was problematic with respect to the recreational site license statutes. She said she has worked with Senator Micciche's office on remedies. She emphasized that it was not AMCO's desire to see the Alaska State Fair lose its ability to serve alcoholic beverages, but she must ensure the statutes are accurately and appropriately implemented.

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MR. HENTEL pointed out that the 2014 and 2017 Legislative Budget and Audit sunset audits for the ABC Board never specifically identified the ASF as one of the entities not meeting the requirements of the recreational site license.

[1:59:44 PM](#)

KRIS CURTIS, Legislative Auditor, Legislative Audit Division, Legislative Agencies and Offices, agreed. She said the 2014 and 2017 audits referred to the statute that specifies what entities qualify as a recreational site. She read [AS 04.11.210 (c)], " ... baseball games, car races, hockey games, dog sled racing events, or curling matches ...." The legislative auditors tested 10 of 29 active recreational site licenses and determined that all were non-compliant. She said that the non-compliant entities included travel tour companies, bowling alleys, an art council, a pool hall, a movie theatre, and a spa. This bill does not address any of these entities, she said. The ASF and ski resorts were not part of the audit sample, although she has subsequently read newspaper articles that identified them as recreational site licenses in non-compliance. She remarked that it is unusual to specifically list entities in statute who meet the qualifications for a license.

[2:01:17 PM](#)

MATT GILL, Manager, Ginger Restaurant, said that he and his partner, Tony Bain, are available to answer questions. He stated that their restaurant is a caterer for the Alaska PAC. They are interested in the theater license provisions of the bill.

[2:02:10 PM](#)

JASON ORTIZ, Secretary, Alaska State Fair, said the ASF is a non-profit corporation. This past year, the ASF was in a quandary with its alcoholic beverage licensing, he said. He stressed that the ASF has a \$23 million positive fiscal impact on the state and local communities. He offered his belief that the ASF is the only fair in the U.S. that operates solely as a non-profit that does not receive any state funding. The fair has dozens of year-round staff working on events that run throughout the year. He said that the fair has been a responsible license holder. He thanked the legislature for its support on SB 16.

[2:03:26 PM](#)

SUZY CROSBY, representing herself, said she is an events and entertainment coordinator for the ASF and also a musician. She offered her belief that the Alaska State Fair Sluice Box is the

best bar in Alaska. The bar is a traditional venue where people gather to listen to fabulous music and the bar provides revenue. She has researched other major U.S. fairs and all of them serve alcoholic beverages. She expressed concern that the ASF could eventually close without the revenue from alcoholic beverage sales, especially if patrons decide it is no longer worth going to the fair for entertainment. She urged members to pass SB 16, so that fairs are clearly defined as recreational sites.

[2:06:57 PM](#)

CODIE COSTELLO, Vice-President; Director of Development, Alaska Center for the Performing Arts, said she is with other Alaska PAC members, Nancy Harbour, President and Chief Executive Officer, and Cindy Hamilton, Vice-President, Operations, to speak in support of SB 16 and answer any questions.

[2:08:14 PM](#)

CHAIR REINBOLD stated that public testimony would be held open. She asked members for comments.

[2:08:38 PM](#)

SENATOR MICCICHE remarked that Ms. McConnell, AMCO, and the ABC Board have worked with his office on SB 16. He offered his belief that the bill would clarify the statutes in terms of alcoholic beverage sales at fairs.

SENATOR COSTELLO said she sees this as an important economic driver to the state. She said everyone looks forward to taking their families to the ASF in the fall. She asked whether any other entities should be added to the list in statute.

SENATOR MICCICHE responded that his priority was to address the Alaska State Fair, but if other entities have licensing issues to contact his office. He said he understands some discussions are being held related to ski resorts and other potential licenses. He hoped they would expedite any requests.

[2:10:40 PM](#)

SENATOR GRAY-JACKSON offered her belief that this bill is an important one. She thanked Senator Micciche for bringing it forward. She said she was pleased to see that performing arts centers and concert permits were added to the bill.

[2:11:01 PM](#)

CHAIR REINBOLD held SB 16 in committee.

**CONFIRMATION HEARING(S) :**

**Alaska Labor Relations Agency**  
**Board of Public Accountancy**  
**Board of Certified Direct-Entry Midwives**

[2:11:11 PM](#)

CHAIR REINBOLD announced that the final order of business would be confirmation hearings.

[2:11:56 PM](#)

PAULA HARRISON, Appointee, Alaska Labor Relations Agency, Office of the Commissioner, Department of Labor and Workforce Development, stated she has 35 years of experience in labor relations and human resources. She said she thought serving on this board would be a good fit for her. She currently works in the private sector but has experience in both the public and private sectors.

[2:12:26 PM](#)

SENATOR GRAY-JACKSON referred to AS 23.05.360(a), and read, "The agency must include two members with a background in management, two members with a background in labor, and two members from the general public." She referred to AS 23.05.360 (f), and read, "For purposes of holding hearings, the members of the board sit in panels of three members. The chair designates the panel that will consider a matter. Each panel must include a representative of management, a representative of labor, and a representative from the general public."

[2:13:25 PM](#)

SENATOR GRAY-JACKSON related her understanding that the two terms expiring in March 2019 are for the public member and labor representative. The two management representatives do not expire until 2020 and 2021. She asked which seat she was filling and given her experience if she would be better suited to fill a management seat. She related her understanding that she is the Human Resources Director for ENSTAR Natural Gas, and she previously served as the Labor Relations Coordinator for the University of Alaska Anchorage. As previously mentioned, and in her "Linked In" profile, it states she has 34 years representing management in labor relations matters. She has also represented management in grievances and arbitrations. She said her profile lists her specialty as negotiating union contracts on behalf of management. She reiterated her question, that she would be more qualified to fill one of the upcoming vacancies for the two management seats.

MS. HARRISON answered that she felt well qualified to fill the public seat as well due to her experience on "both sides of the aisle." She acknowledged she has a lot of experience in management and that experience dealt with both labor and management issues. She said both sides must work together.

[2:14:38 PM](#)

SENATOR GRAY-JACKSON appreciated her response but based on her resume she would be more qualified to fill one of the management positions.

[2:14:58 PM](#)

SENATOR BIRCH thanked her for her interest. He said that it is important to have appointees with a lot of experience and she has a lot to bring to the table. He said he looks forward to working with her in the future.

[2:15:30 PM](#)

CHAIR REINBOLD thanked her for her interest. He offered his belief that it is important for board members to have a lot of experience and she has a lot to bring to the table.

[2:16:06 PM](#)

WES TEGELER, Appointee, Board of Public Accountancy, Division of Corporations, Business and Professional Licensing, Department of Commerce, Community and Economic Development, stated his interest in the seat. He has served as a CPA (Certified Public Accountant) in Alaska since 1981. He started with a national firm, worked in a private firm, and in 1992, started his own accounting firm in Wasilla. He expressed his desire to serve on the board is to give back to the profession that has given him so much. He said he is nearing the end of his professional work and he would like to contribute back to the profession.

[2:18:16 PM](#)

CATHY MOSHER, Appointee, Board of Certified Direct-Entry Midwives, Division of Corporations, Business and Professional Licensing, Department of Commerce, Community and Economic Development, stated she would like to serve on the board as a public member. She said it is important to have midwives in the community. Midwives give expectant mothers the personal care needed to help their pregnancies go to full term. She said she is pro-life and would like to serve on the board to ensure properly qualified midwives can obtain their licenses.

[2:19:18 PM](#)

SENATOR COSTELLO said she personally served in the legislature when the Board of Certified Direct-Entry Midwives enabling legislation was enacted. She was glad to find so many qualified Alaskans come forward and are willing to serve on Alaska's boards and commissions.

[2:19:39 PM](#)

CHAIR REINBOLD postponed the hearing for the Board of Public Accountancy appointee, Karen Smith. She said that it was difficult to get her on teleconference to testify today.

[2:20:44 PM](#)

CHAIR REINBOLD thanked Senator Gray-Jackson for her questions raised on the appointee to the Labor Relations Agency. She said that it was difficult to find a public member. She further said that she will try to get a better roster of Boards and Commissions and the specific position the appointee will fill.

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At-ease.

[The committee Chair gaveled out prior to forwarding the appointments to the joint session.]

[2:21:16 PM](#)

CHAIR REINBOLD reconvened the meeting.

[2:21:21 PM](#)

CHAIR REINBOLD stated that in accordance with AS 39.05.080, the Senate Labor and Commerce Committee reviewed the following and recommends the appointments be forwarded to a joint session for consideration:

Alaska Labor Relations Agency

Paula Harrison - Anchorage

Alaska Board of Public Accountancy

Wes Tegeler - Wasilla

Board of Certified Direct-Entry Midwives

Cathy Mosher - Willow

[Signing the reports regarding appointments to boards and commissions in no way reflects individual members' approval or disapproval of the appointees; the nominations are merely forwarded to the full legislature for confirmation or rejection.]

2:21:53 PM

There being no further business to come before the committee, Chair Reinbold adjourned the Senate Labor and Commerce Standing Committee meeting at 2:21 p.m.