

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

FEBRUARY 19, 2019

1:32 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**

PRESENTATION: Innovation in Alaska

- HEARD

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."

- MOVED CSSB 16 (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)

**WITNESS REGISTER**

JOEL CUTCHER-GERSHENFELD, Ph.D.; Professor  
The Heller School for Social Policy and Management  
Brandis University  
Boston, Massachusetts

**POSITION STATEMENT:** Participated in a presentation on Innovation in Alaska.

ASTA SIGURJONSDOTTIR, Manager  
Iceland Tourism Cluster  
Reykjavik, Iceland

**POSITION STATEMENT:** Participated in a presentation on Innovation in Alaska.

NATASHA MCCLANAHAN, Staff  
Senator Lora Reinbold  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Testified on the changes from the original bill, Version A to the proposed committee substitute (CS) for SB 16, Version U.

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 for SB 16.

STEPHEN RICE, President  
Tanana Valley State Fair Association (TVSFA)  
Board of Directors, Fairbanks, Alaska

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

SHERI MUSGRAVE, Beverage Manager  
Alaska State Fair  
Palmer, Alaska

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

ROBERT WELLS, Board Member  
Skeetawk Ski Resort  
Palmer, Alaska

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

PAUL A. SHADURA II, representing himself  
Kenai, Alaska

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

JEROME HERTEL, General Manager  
Alaska State Fair  
Palmer, Alaska

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

STU GRAHAM, representing himself  
Wasilla, Alaska

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

ALEX KOPLIN, representing himself  
Homer, Alaska

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

#### **ACTION NARRATIVE**

[1:32:10 PM](#)

**CHAIR LORA REINBOLD** called the Senate Labor and Commerce Standing Committee meeting to order at 1:30 p.m. Present at the call to order were Senators Bishop, Birch, Gray-Jackson and Chair Reinbold. Senator Costello arrived as the meeting was in progress.

#### **PRESENTATION: Innovation in Alaska**

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**CHAIR REINBOLD** announced that the first order of business would be a Presentation: Innovation in Alaska by Joel Cutcher-Gershenfeld and Asta Kristin Sigurjonsdottir.

[1:34:29 PM](#)

**SENATOR COSTELLO** joined the committee meeting.

[1:35:47 PM](#)

**JOEL CUTCHER-GERSHENFELD**, Ph.D.; Professor, The Heller School for Social Policy and Management, Brandis University, Boston, Massachusetts, presenter, Innovation in Alaska, introduced himself.

[1:36:08 PM](#)

ASTA SIGURJONSDOTTIR, Manager, Iceland Tourism Cluster, Reykjavik, Iceland, began a presentation on Innovation in Alaska, noting that the Iceland Tourism Cluster began in 2015. She plans on attending the summit tomorrow to discuss the rapid growth in Iceland's tourism in the last ten years. She said she would share the "good, the bad, and the ugly" at the summit. She said it is important to learn from each other and address the issues and discuss what has worked for Iceland. Between 2010-2019, growth of tourism has increased from 500,000 visitors to 2.5 million.

She said in 2008, Iceland experienced a financial crisis and during that time its currency was devalued by half. In 2010, tourism companies were enthusiastic because people traveled to Iceland since films such as Game of Thrones were being filmed in Iceland. People also became aware of Iceland because the volcanic eruption [of Eyjafjallajökull] disrupted air traffic. The Icelandic government collaborated with tourism to explain that Iceland was safe.

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MS. SIGURJONSDOTTIR stated that in 2017, Iceland started a "Responsible Tourism" project, consisting of 350 companies who worked together to promote responsible tourism in Iceland. This demonstrated Iceland's focus on ecologically sound tourism. Iceland would like tourism to grow for the next 100 years, not just for the next five or 10 years. The companies signed the pledge for responsible tourism by promising to protect nature, the security of their guests, to take care of their employees, and to operate in local communities in the best possible way.

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MS. SIGURJONSDOTTIR turned to how Iceland manages its tourism marketing. The government and companies work together and share marketing budget costs of \$2.5 million. She highlighted five objectives Iceland uses for its marketing. The first goal is to increase an awareness of Iceland as a year-round destination to ensure use of its infrastructure. Second, to increase commerce from tourism to create more value. Third, to expand year-round tourism and travel throughout the country. Fourth, to figure out how to encourage more responsible travel behavior from tourists. The final goal was to encourage residents to have positive attitudes towards tourists, she said. She said she will discuss Iceland's efforts to develop its tourism and ways it works with government, municipalities and its universities at the conference.

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SENATOR BIRCH asked how Icelandic Air access has helped contribute to tourism and economic growth.

MS. SIGURJONSDOTTIR said airfares and the hub between U.S. and Europe is a huge factor. In 2010, Iceland had three airlines landing in Reykjavik, but it now has 27 airlines traveling from 101 destinations in the world. She said 10 million people land in Reykjavik and about 2.5 million travel in Iceland. Tourism is substantial, about eight times Iceland's population of 350,000, she said. The airlines' marketing has had a big impact.

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SENATOR BIRCH said Alaska would like to replicate Iceland's success. He asked for the relationship between Denmark and Iceland.

MS. SIGURJONSDOTTIR said Iceland celebrated its 150th year of independence from Denmark in 2018. She remarked that Iceland is totally independent from Denmark.

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SENATOR BISHOP said he spent eight days in Iceland. He said he really enjoyed it. The first phone call he made when he returned home was to the tourism office with questions on how Alaska could replicate Iceland's success in tourism.

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SENATOR GRAY-JACKSON asked for further clarification that Iceland's total population is 350,000.

MS. SIGURJONSDOTTIR answered yes.

[1:50:16 PM](#)

DR. CUTCHER-GERSHENFELD began by relating that he has spent some time working with the Fair Work Commission in Australia. He learned that people who present formally in Australia first honor the original owners of the land. Today he would like to begin and honor the past, present, and future elders of the Tlingit, the Haida, and the Tsimshian. He said his remarks would cover production rather than the service side of innovation. In 1965, Gordon Moore wrote an article that considered the number of resistors that could be placed on computer chips. Mr. Moore determined that the capability was doubling every 18 months. He speculated that it could continue that type of growth for another 10 years. He went on to identify all the things that computers might do during this time. Of course, Mr. Moore was

wrong, because this growth has continued for more than fifty years. Mr. Moore's observations are known as Moore's law, which states that the number of transistors in a dense integrated circuit doubles about every two years. In looking back to 1965, people would likely wish for different things, because we have learned about weaponized social media and digitized divides. Technology grew at an accelerated rate, but society did not lean in on the challenges this growth posed until relatively recently. The first two digital revolutions were in communication and computation, but a new digital revolution lies in fabrication.

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DR. CUTCHER-GERSHENFELD said that 15-20 years ago, computer ability to control machine tools was just beginning. Computers went from being one mainframe device to the billions of personal computers and smart phones that we have today. Digital fabrication is currently at the point mainframe computers were when these computers filled a room and cost \$100,000. For the same funds today a fab-lab, a rapid-prototyping center that can make almost anything with wood, plastic, metal, and other materials could be built. In 2002, the first fab lab was built in Boston. Since then these labs have been doubling every 18 months, exactly according to Moore's law. Currently, 1,600 fab-labs exist, including the Cook Inlet Tribal Council fab lab in the Anchorage area. Several more fab labs exist on the North Slope, and the University of Alaska plans to put fab labs in community colleges and campuses.

DR. CUTCHER-GERSHENFELD said the key idea he would like to raise is that current technology could manufacture most consumer goods, including furniture and musical instruments. At the Innovation Summit, he will challenge the group with the concept that if these technologies were readily available throughout Alaska, it would be possible to cut dependence on global supply chains for a number of products. Alaska would still be globally connected to the network of fab labs and makerspaces that share designs and material science capabilities worldwide. However, Alaska has the chance before the technology becomes ubiquitous to think about health and safety, governance, and digital literacy related to fabrication. Further, the legislature can think about all of the social and societal issues related to the technology so society can co-evolve. Otherwise, 10 or 20 years from now, Alaska might wish it had taken some steps earlier on. He acknowledged that Alaska has a deep tradition of self-sufficiency, so it could leverage its traditions, such as traditions of barter and exchange or the sense of community, to

shape technologies in ways that are uniquely Alaskan. He envisioned every neighborhood could have a rapid prototyping center to design and build products instead of having to ship their products to Alaska.

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DR. CUTCHER-GERSHENFELD said that underneath this is a fairly fundamental rethinking of our economic system. He said that Blair Evans took a 20-acre rundown part of Detroit and built a large central lab and a series of satellite labs. People use this area to grow hydroponic food and make furniture to meet their needs. His concept was one of thirds, such that one third of the time people would work to earn salaries to provide for necessary goods, one third of the time people would have access to self-sufficient production facilities, and one third of the time people should follow their own passions. This could build local productive capability across the state and pair it with the dignity and meaning that comes from people making things for their own use.

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DR. GERSHENFELD said that the technology is moving and growing at an accelerated rate. His hypothesis is that it is some of the most challenged rural and urban settings it may grow the fastest and leapfrog. He hoped to engage with the committee so the legislature can think about how it wants to shape how these technologies will unfold so it can create the kind of future for Alaska that it envisions.

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SENATOR COSTELLO said she took her son to the Cook Inlet Tribal Council fab-lab, as his school team intended to use it for a project, and it is phenomenal. She said that the Lego team ended up using a different space Makerspace. At the fab lab said the 4-7th graders were in the process of using resonant frequency to dislodge pipes to try to solve a problem with the human water cycle. Through that process, she became aware of the fab lab and the role that the Massachusetts Institute of Technology has had. She offered her belief that the agreement was volunteering an hour would allow students an hour at the lab. Her older son received a 3-D printer, one that he could put together himself. She said she sees an opportunity to merge their interest in coding, fabrication, and Lego league and challenges. She said once these students get going, it is impossible to hold them back. She said she was unsure of the next step. She said his vision seemed forward thinking. She recalled from her son's experience, that the necessity to create something caused them

to learn by networking with others the necessary knowledge to solve problems. She said the fab lab highlighted amazing opportunities. She acknowledged the remoteness of the state requires it to strive for innovation to problem solve.

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DR. CUTCHER-GERSHENFELD commented that ten years ago educators in the City of Pittsburg were concerned that kids were not learning enough. The educators held a pancake breakfast to discuss project-based learning. These educators held 17 breakfasts with input from 2,000 educators formed "remake learning." He reported that the area has over 100 fab labs and makerspaces [collaborative workspaces inside a school, library or separate public/private facility for making, learning, exploring and sharing that use high-tech and no-tech tools]. These labs are in K-12 schools, community colleges, and universities. He said that Pittsburg is now a world robotics center and the human capital is coming through design thinking in their learning. That process has been transforming the whole economy in Pittsburg and it is one that could be possible in Alaska since it taps into energy and enthusiasm.

He said that 10 years ago the Lemelson Award, which is a prestigious innovation award, was given. He served on a committee that explored what the winners of the Lemelson Award needed to learn to be great innovators. The awardees said that it had nothing to do with the field of study for their college degrees. Instead, if physics or chemistry was needed in order for them to problem solve, the awardees learned it. He said he discovered that learning around innovation was problem driven, which is a very powerful model, he said.

DR. CUTCHER-GERSHENFELD related his understanding that Alaska has been debating whether it should prepare people for college or for the trades. In a sense, innovation indicates that both models are right, he said. Some of digital fabrication does involve material science and chemistry, but it also involves working with one's hands. He pointed out [the Saint Francis of Assisi quote, "He who works with his hands is a laborer. He who works with his hands and his head is a craftsman. He who works with his hands and his head and his heart is an artist."] also known as head, hands, and heart. People who are retired tool and die makers have as much to offer to the community fab lab as an expert in the sciences.

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At-ease.

^#sb16

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

2:08:43 PM

CHAIR REINBOLD reconvened the meeting and announced that the final 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."

SENATOR COSTELLO made a motion to adopt the proposed committee substitute for SB 16, labeled 31-LS0283\U, Bruce, 2/18/19 as the working document.

SENATOR BISHOP objected for the purpose of discussion.

2:09:46 PM

NATASHA MCCLANAHAN, Staff, Senator Lora Reinbold, Alaska State Legislature, Juneau, on behalf of the committee, explained the changes from the original bill, Version A to the proposed committee substitute (CS) for SB 16, Version U.

She said that Version U clarifies that a performing arts theatre license can only be transferred to another person. It would place additional parameters on beer and wine service in a performing arts service. The service must be restricted to specified areas, including portions of the audience viewing area. It can only be served if the event is expected to have a crowd that is predominately comprised of those that are over 21 years of age. It clarifies that skiing and snowboarding are included in the definition of recreational site. It provides for an immediate effective date along with other technical and conforming changes.

2:11:11 PM

SENATOR PETER MICCICHE, Alaska State Legislature, Juneau, Alaska, Testified as sponsor of SB 16. offered his belief that the technical issues were resolved in the process. It will help the Alcoholic Beverage Control Board in applying the statutes and regulating alcohol. He said that his priority with SB 16 was to address issues at the Alaska State Fair and to ensure that the fair will be able to serve alcoholic beverages as it has for the past 37 years. He said this bill presents an opportunity to address several other issues, including alcohol consumption at performing arts centers and ski areas.

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EDRA MORLEDGE, Staff, Senator Peter Micciche, Alaska State Legislature, Juneau, said that the committee substitute has two new sections, but she would briefly review all sections of the bill:

Section 1: Amends AS 04.11.080 - Types of Licenses and Permits - to add 'performing arts theater license,' 'fair license,' and 'concert permit.' (Page 1 beginning on Line 5)

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. (Page 2, beginning on Line 19)

Section 3: Amends AS 04.11.210(a) to use the word "activities" rather than "events" as being allowed under a recreational site license. (Page 3, lines 19-22)

Section 4: Amends AS 04.11.210(c) to list sporting activities such as skiing and snowboarding activities are allowable under a recreational site license. (Page 3, lines 23-27)

Section 5: 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. (Page 3, beginning on line 28)

Section 6: Adds a new section (AS 04.11.235(a-c)) Concert permit. This section allows the holder of a recreational site license to obtain a concert permit, disallows transfer or renewal, and sets the fee at \$50. (Page 4, lines 9-17)

Section 7: Amends AS 04.11.330(d) to allow a performing arts theater license renewal, notwithstanding other requirements, if the license was exercised at least once during each of the previous two calendar years. (Page 4, lines 18-22)

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MS. MORLEDGE continued to review the sectional analysis for Version U:

Section 8: Amends AS 04.11.400(a) to specify that the board may prohibit a new license or relocation of an existing license in accordance with population limits. (Page 4, beginning on line 23)

Section 9: Establishes under AS 04.11.400 (o) that only one fair license may be issued per borough. (Page 5, lines 24-26)

Section 10: Adds the new licenses/permit to the list of those required post notice on the designated premise. (Page 5, beginning on line 27)

Sections 11-13: Amends AS 43.60.040 Administration and Enforcement of Tax, to add subsection (i). This section provides an incentive for filing timely monthly tax returns and paying taxes on time over the most recent three years. Specifically, it removes the \$25,000 surety bond requirement if all other requirements of compliance are met. (Page 6, beginning on line 21, through page 7, line 21)

Section 14: Immediate effective date (Page 7, line 22)

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SENATOR BIRCH thanked Senator Micciche for including skiing and snowboarding in the definition of "recreational site." He has worked with the Alcoholic Beverage Control Board the past year. He said it was a bit of a tangle, but this should help clear it up.

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CHAIR REINBOLD opened public testimony on SB 16.

[2:16:46 PM](#)

STEPHEN RICE, President, Tanana Valley State Fair Association (TVSFA), Board of Directors, Fairbanks, spoke in support of SB 16. The TVSFA welcomes any action that the legislature takes to continue to allow fairs, theaters, and other recreational sites to improve their services to communities and enhance the quality of life for Alaskans. He asked the committee to ensure that the provisions of SB 16 are available to all communities, regardless of location and population. He also urged members not to restrict lawful business practices. The TVSFA provides alcohol

at its events via a vendor with a caterer's license. The board plans on continuing to use a caterer but would like to have other options.

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SHERI MUSGRAVE, Beverage Manager, Alaska State Fair, Palmer, spoke in support of SB 16. She thanked the sponsor and committee for their work. She said that the Alaska State Fair would like to avoid misinterpretation of the fair's license category by the current and future Alcohol & Marijuana Control Office administration.

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ROBERT WELLS, Board Member, Skeetawk, Palmer, spoke in support of SB 16. said that Skeetaw is a non-profit ski area in the Matanuska-Susitna Valley. The name "Skeetawk" is an Athabascan name meaning, "Where we all slide down." The executive director, Annie O'Connell, asked to go on record in support of Version U, that clarify the definition of recreational sites includes ski and snowboarding areas.

[2:22:18 PM](#)

PAUL A. SHADURA II, representing himself, Kenai, spoke in support of SB 16. He said that he appreciated Senator Micciche's efforts to sponsor the bill, which addresses recreational site licensees. The Alaska State Fair is a family event that attracts Alaskans from throughout the state in all social categories. He also offered his support for the efforts of Alcoholic Beverage Control Board to maintain compliance. He offered his belief that this bill will enhance the entertainment and pleasure of those attending special events. The state should not hinder functions that represent an important part of our Alaskan way of life, he said.

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JEROME HERTEL, General Manager, Alaska State Fair, Palmer, Alaska, spoke in support of SB 16. This bill will more clearly define the business model of the Alaska State Fair and bring an end to the misinterpretation of the recreational site licenses that the fair has been experiencing.

[2:24:41 PM](#)

STU GRAHAM, representing himself, Wasilla, spoke in support of SB 16. He said that he also serves as a member of the City of Wasilla City Council and is First Vice-President, Alaska Municipal League and a board member of the Valley Performing Arts. However, he is speaking on behalf of himself today. He

offered his support for SB 16 to clarify the statutes, so the Alaska State Fair and other fairs can have a reasonable business model. This bill does not release them from the oversight of the ABC Board, so the board could take action if problems arise with the liquor license.

[2:26:10 PM](#)

ALEX KOPLIN, representing himself, Homer, spoke in support of SB 16. He suggested the license fees and fares should be reviewed and adjusted to raise additional revenue in the adjusted.

[2:27:30 PM](#)

CHAIR REINBOLD commented that the board hopes to consider license fees in another bill before the committee.

[2:27:37 PM](#)

CHAIR REINBOLD, after first determining no one wished to testify, closed public testimony on SB 16.

[2:27:55 PM](#)

SENATOR BISHOP removed his objection.

[2:28:18 PM](#)

SENATOR COSTELLO moved to report the proposed Committee Substitute for SB 16, labeled 31-LS0283\U, Bruce, 2/18/19, Version U, from committee with individual recommendations and attached fiscal note(s). There being no objection, the CSSB 16(L&C) was reported from the Senate Labor and Commerce Standing Committee.

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CHAIR REINBOLD reviewed upcoming committee announcements.

[2:29:03 PM](#)

There being no further business to come before the committee, Chair Reinbold adjourned the Senate Labor and Commerce Standing Committee meeting at 2:29 p.m.