

ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE

March 26, 2019

1:31 p.m.

MEMBERS PRESENT

Senator Lora Reinbold, Chair
Senator Mia Costello, Vice Chair
Senator Click Bishop
Senator Chris Birch

MEMBERS ABSENT

Senator Elvi Gray-Jackson

COMMITTEE CALENDAR

SENATE BILL NO. 44

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

- MOVED CSSB 44 (L&C) OUT OF COMMITTEE

SENATE JOINT RESOLUTION NO. 8

Supporting the ratification of the United States-Mexico-Canada Agreement on trade; encouraging the federal Administration to remove the steel and aluminum tariffs on imports from Canada and Mexico; and urging the United States Congress and the federal Administration to call on Canada and Mexico to remove retaliatory tariffs on all goods and services exported from the United States.

- MOVED SJR 8 OUT OF COMMITTEE

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

SENATE BILL NO. 52

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

- HEARD & HELD

SENATE BILL NO. 69

"An Act establishing an exception from permit and fee requirements for certain charitable gaming activities; relating to fees for applicants for a charitable gaming permit; amending the definition of 'permittee'; and providing for an effective date."

- BILL HEARING CANCELED

PREVIOUS COMMITTEE ACTION

BILL: SB 44

SHORT TITLE: TELEHEALTH: PHYSICIAN ASSISTANTS; DRUGS

SPONSOR(s): SENATOR(s) GIESSEL BY REQUEST

02/04/19	(S)	READ THE FIRST TIME - REFERRALS
02/04/19	(S)	L&C
03/14/19	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
03/14/19	(S)	Heard & Held
03/14/19	(S)	MINUTE(L&C)
03/26/19	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SJR 8

SHORT TITLE: U.S.-MEXICO-CANADA AGREEMENT ON TRADE

SPONSOR(s): SENATOR(s) COSTELLO

03/01/19	(S)	READ THE FIRST TIME - REFERRALS
03/01/19	(S)	L&C
03/21/19	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
03/21/19	(S)	Heard & Held
03/21/19	(S)	MINUTE(L&C)
03/26/19	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)

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)

BILL: SB 52

SHORT TITLE: ALCOHOLIC BEVERAGE CONTROL; ALCOHOL REG
SPONSOR(s): SENATOR(s) MICCICHE

02/11/19 (S) READ THE FIRST TIME - REFERRALS
02/11/19 (S) L&C, JUD, FIN
03/26/19 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

SENATOR CATHY GIESSEL
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Testified as sponsor of SB 44.

ERIN MCLAUGHLIN, Intern
Senator Mia Costello
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented SJR 8 on behalf of the sponsor,
Senator Mia Costello.

MATT MORRISON, Chief Executive Officer
Pacific Northwest Economic Region (PNWER)
Seattle, Washington

POSITION STATEMENT: Testified during the hearing on SJR 8.

KIM SKIPPER, Staff
Senator Chris Birch
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented a sectional analysis of SB 83 on
behalf of the sponsor.

CHRISTINE OCONNER, Executive Director
Alaska Telecom Association
Anchorage, Alaska

POSITION STATEMENT: Presented a PowerPoint on telecommunications
statutes during the hearing on SB 83.

RICK HITTS, Vice-President
GCI

Anchorage, Alaska

POSITION STATEMENT: Testified during the hearing on SB 83.

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

POSITION STATEMENT: Presented a sectional analysis of SB 52 on behalf of Senator Micciche.

SENATOR PETER MICCICHE
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Testified as sponsor of SB 52.

ANNA BRAWLEY, Title 4 Project Review Coordinator;
Senior Associate
Agnew Beck Consulting
Anchorage, Alaska

POSITION STATEMENT: Answered questions during the hearing on SB 52.

ACTION NARRATIVE

[1:31:04 PM](#)

CHAIR LORA REINBOLD called the Senate Labor and Commerce Standing Committee meeting to order at 1:31 p.m. Present at the call to order were Senators Costello, Birch, and Chair Reinbold. Senator Bishop arrived shortly thereafter.

SB 44-TELEHEALTH: PHYSICIAN ASSISTANTS; DRUGS

[1:32:04 PM](#)

CHAIR REINBOLD announced that the first order of business would be SENATE BILL NO. 44, "An Act relating to the prescription of drugs by a physician assistant without physical examination."

[1:33:03 PM](#)

SENATOR CATHY GIESSEL, Alaska State Legislature, Juneau, as sponsor of SB 44 said that an amendment was in members' packets.

[1:33:14 PM](#)

SENATOR COSTELLO moved to adopt Amendment 1, work order 31-LS0019\U.1, Fisher, 3/22/19, which read as follows:

AMENDMENT 1

Page 1, line 2, following "examination":

Insert "; and providing for an effective date"

Page 3, following line 13:

Insert a new bill section to read:

"* **Sec. 5.** This Act takes effect March 1, 2020."

SENATOR BIRCH objected for the purposes of discussion.

SENATOR COSTELLO explained that at a previous hearing on SB 44, she had asked whether the sponsor would like to add an immediate effective date to the bill. The ideal effective date would be March 1, 2020, to allow time for draft regulations to comport with the changes in the bill.

SENATOR BIRCH removed his objection.

[1:34:23 PM](#)

SENATOR GIESSEL said that she did not have any further comments.

CHAIR REINBOLD, after first determining no one wished to testify, closed public testimony on SB 44.

[1:35:06 PM](#)

SENATOR BISHOP removed his objection.

[1:35:20 PM](#)

SENATOR COSTELLO moved to report SB 44, work order 31-LS0019\U, as amended, from committee with individual recommendations and attached fiscal note(s). There being no objection, CSSB 44(L&C) was reported from the Senate Labor and Commerce Standing Committee.

[1:35:33 PM](#)

At-ease.

SJR 8-U.S.-MEXICO-CANADA AGREEMENT ON TRADE

[1:38:06 PM](#)

CHAIR REINBOLD reconvened the meeting and announced that the next order of business would be SENATE JOINT RESOLUTION NO. 8, Supporting the ratification of the United States-Mexico-Canada Agreement on trade; encouraging the federal Administration to remove the steel and aluminum tariffs on imports from Canada and

Mexico; and urging the United States Congress and the federal Administration to call on Canada and Mexico to remove retaliatory tariffs on all goods and services exported from the United States.

[1:38:21 PM](#)

ERIN MCLAUGHLIN, Intern, Senator Mia Costello, Alaska State Legislature, Juneau, presented SJR 8 on behalf of the sponsor. She reported that Congressman Don Young said that he did not have an official position, but he would be listening to Alaskans. Thus, passage of SJR 8 would inform him of Alaskans' stance on trade, she said.

[1:39:00 PM](#)

MATT MORRISON, Chief Executive Officer, Pacific Northwest Economic Region (PNWER), Seattle, stated that Alaska is a founding PNWER member and has been PNWER's partner since 1991. He said that trade and cooperation with Canada is important and essential to Alaska especially since Alaska connects to the Lower 48 through Canada. He said the North American Free Trade Agreement (NAFTA) has provided an important framework for trade. In 2017, Canada bought \$700 million in exports from Alaska, he said. The United States-Mexico-Canada Agreement (USMCA) negotiations would provide an updated agreement for NAFTA. The Congress needs to hear from the states that it is important to ratify the USMCA agreement, he said.

He stated that SJR 8 seeks to accomplish two things. First, it expresses to the Congress that ratification of the USMCA is important. Second, it would call on the administration, Canada and Mexico to remove the tariffs that adversely impact the region. He reported that Section 232 tariffs on steel and aluminum, in particular, affect Alaska. At last week's hearing, he mentioned that U.S. Senator Lisa Murkowski estimated that the cost of steel represented 10 - 20 percent of the cost to construct and operate an oil field. Certainly, it would be a major cost in pipeline construction, he said. The tariffs on steel and aluminum could increase any pipeline construction costs by three to five percent. For example, these increased tariffs would cost an additional \$75 million for a 280-mile project. This could also increase the cost of the proposed natural gas pipeline by up to \$500 million, he said.

MR. MORRISON related that the second part of the resolution requests a waiver on Canada and Mexico for the steel and aluminum tariffs and requests those countries remove the retaliatory tariffs on U.S. producers. He said that PNWER has

considered this agreement from many perspectives and has found that most states are considering similar resolutions. He reported that a resolution has passed in the Idaho Senate and the Montana Senate. A resolution has also been introduced in Oregon, as well. He said that PNWER believes that the USMCA will be good for the region. He has met with members of the Congressional delegation and delegation members were anxious to hear from the states. He reiterated that SJR 8 seeks to officially recognize the importance of the USMCA to Alaska.

[1:43:23 PM](#)

CHAIR REINBOLD closed public testimony on SJR 8.

[1:44:12 PM](#)

CHAIR REINBOLD asked to have the objection removed.

SENATOR BISHOP removed his objection.

[1:44:24 PM](#)

SENATOR COSTELLO moved to report SJR 8, work order 31-LS0488\A, Version A, from committee with individual recommendations and attached fiscal note(s). There being no objection, SJR 8 was reported from the Senate Labor and Commerce Standing Committee.

[1:44:44 PM](#)

At-ease.

SB 83-TELECOMMUNICATIONS REGULATION/EXEMPTIONS

[1:46:18 PM](#)

CHAIR REINBOLD reconvened the meeting and 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."

[1:46:27 PM](#)

SENATOR COSTELLO clarified that the original bill was before the committee.

SENATOR BISHOP objected for purposes of discussion.

[1:46:42 PM](#)

SENATOR BIRCH, speaking as sponsor of SB 83, said that he introduced a similar bill last year that did not quite make it through the process. He paraphrased the following sponsor statement:

SB 83 seeks to encourage investment and innovation in the telecommunication industry by updating the telecommunication statutes. Rapid changes in technology and in the Federal Communications Commission (FCC) regulations, render portions of the existing statutes obsolete and/or inefficient in the modern telecommunications world.

All of Alaska's telecommunications providers worked together through the Alaska Telecom Association to offer the suggested changes made in SB 83. The goal of was to maintain important consumer protections, appropriate Regulatory Commission of Alaska (RCA) jurisdiction, and consistency with FCC regulations while at the same time allowing for greater flexibility to more rapidly take advantage of new technology.

Some existing RCA regulations are over 25 years old and focused on landline and traditional long-distance service. As customers continue to prefer broadband and mobile services and the demand for landline services decreases, the outdated regulations are largely obsolete. Carrier of last resort regulations needlessly duplicate existing statutory requirements and alternative operator services are no longer used. SB83 places service providers on a more level playing field and will encourage deployment of advanced technologies and more efficient network design.

SB 83 creates new protections in statute for rural areas by requiring landline and long-distance rates, terms and conditions be the same as in larger towns.

SB 83 requires that the Regulatory Cost Charge (RCC) be assessed and submitted to the RCA by all telecommunication utilities. Currently the RCC is not being paid by utilities that are municipally owned or are cooperatives. All members of the Alaska Telecom Association support this change. I would appreciate your support for SB 83.

[1:49:01 PM](#)

KIM SKIPPER, Staff, Senator Chris Birch, Alaska State Legislature, Juneau, read the sectional analysis for SB 83.

Section 1 - Municipal powers and duties. AS 29.35.070(a) This section is amended to maintain existing exclusion from municipal regulation for telecommunications companies which are exempted under new subsection AS 42.05.711(u). (Section 8 below).

Section 2 - Alaska Public Utilities Regulatory Act. AS 42.05.141 Adds two new subsections (e) and (f) to the general powers and duties of the RCA. These subsections state that the Commission may not designate a local exchange carrier or an interexchange carrier as the carrier of last resort, and that the Commission may designate an eligible telecommunications carrier consistent with the federal law that allows for federal subsidies under the federal Universal Service Fund.

A carrier of last resort is a telecommunications company that commits (or is required by existing regulation) to provide service to any customer in a service area that requests it, even if serving that customer would not be economically viable at prevailing rates. There are other protections in this legislation (Section 7), remaining Alaska statutes and federal law to ensure rural Alaska continues to receive telecommunications service.

The federal Universal Service Fund is managed by the Federal Communications Commission and is intended to promote universal access to telecommunications services at reasonable and affordable rates for all consumers.

[1:51:02 PM](#)

MS. SKIPPER read Sections 3 and 4.

Section 3 and 4 - Regulatory Cost Charge (RCC). This section applies the regulatory cost charge to all certificated telecommunications provider expanding the assessment base for the charge.

[1:51:25 PM](#)

MS. SKIPPER read Sections 5-8.

Section 5 - Exempt Utility. AS 42.05.254(i)(2) This section amends the definition of exempt utility to apply the Regulatory Cost Charge across all certificated telecommunications providers.

Section 6 - Tariff Filings AS 42.05.361. This section prohibits the Commission from requiring tariff filings from telecommunications carriers except by providers of telecommunications service to prison inmates. Tariff filings in the competitive telecommunications industry are outdated, unnecessary and impede the ability of carriers to respond to what the customer wants and needs.

Section 7 - Rates AS 42.05.381. This section adds new subsections which require rates, terms, and conditions of service to be uniform across defined service areas and the definition of "local exchange carrier" and "long distance telephone" have the same meaning set forth in AS 42.05.890.

Section 8 - Exemptions from Alaska Public Utilities Regulatory Act AS 42.05.711. This section adds new subsections (u) and (v) which together exempt telecommunication carriers from the Act except for the following provisions which will continue to apply:

- AS 42.05.141(e) and (f) - New sections in the bill (Section 2 above)
- AS 42.05.221 - Requiring a Certificate of Public Convenience and Necessity
- AS 42.05.231 - Provision for applying for a Certificate of Public Convenience and Necessity
- AS 42.05.241 - Conditions of issuing/denial of a Certificate of Public Convenience and Necessity
- AS 42.05.251 - Allow public utilities to obtain a permit for use of streets in municipalities.
- AS 42.05.254 - Regulatory cost charge
- AS 42.05.261 - Prohibits a public utility from discontinuing or abandoning service for which a certificate has been issued
- AS 42.05.271 - Allows the Regulatory Commission of Alaska to amend, modify, suspend, or revoke a certificate

- AS 42.05.281 - Prohibiting a sale, lease, transfer, or inheritance of a Certificate of Public Convenience and Necessity without RCA permission
- AS 42.05.296 - Requirements for providing telephone services for certain impaired subscribers

[1:54:20 PM](#)

MS. SKIPPER read Sections 5-8.

AS 42.05.306 - Allows discounted rates for customers receiving benefits from a social services assistance program administered by the state or federal government

- AS 42.05.381(1) - (n) - New sections requiring uniform rates, terms, and conditions (Section 7 above)
- AS 42.05.631 - Allows a public utility to exercise the power of eminent domain
- AS 42.05.641 - Extends the Regulatory Commission of Alaska's jurisdiction to public utilities operating in a municipality
- AS 42.05.661 - Requires entities to pay a fee to the Regulatory Commission of Alaska when applying for a Certificate of Public Convenience and Necessity

AS 42.05.820 - Municipalities may not regulate landline providers

- AS 42.05.830 - Requires the Regulatory Commission of Alaska to establish exchange access charges to be paid by long distance carriers to compensate local exchange carriers for the cost of originating and terminating long distance services
- AS 42.05.840 - Allows the Regulatory Commission of Alaska to establish a universal service fund
- AS 42.05.850 - Requires local exchange carriers to form an association to administer access charges
- AS 42.05.860 - Prohibits a carrier from restricting the resale of telecommunications services

[1:55:48 PM](#)

MS. SKIPPER read Sections 9 - 12.

Section 9 - Municipal Regulation AS 42.05.820. This section amends AS 42.05.820 to exclude local exchange carriers which are exempted in whole or in part from this chapter from being 3 regulated by a municipality.

Section 10 - Calculation of Regulatory Cost Charge AS 42.06.286(e). This section is amended to clarify that all telecommunications providers will continue to be assessed the Regulatory Cost Charge (RCC).

Section 11 and 12 - Alternate Operator Service AS 45.50.473(a). This section is amended to add the definition of alternate operator service from the statute that is being repealed in Section 13 (AS 42.05.325)

[1:56:38 PM](#)

MS. SKIPPER read Section 13.

Section 13 - Repealers. This section repeals the following provisions:

- AS 42.05.325 - Registration and regulation of alternate operator services. Required providers of alternate operator services to be registered with and regulated by the Regulatory Commission of Alaska. Alternate operator service is obsolete and regulatory oversight is no longer relevant.
- AS 42.05.810 - Long Distance Competition. This section required the RCA to adopt regulations by February 1991 to open-up the long-distance market to competition. The long-distance market has been open to competition since 1991 and it is a fraction of its earlier size and continues to shrink as consumers migrate to alternative services. It is no longer necessary to require the Commission to open-up the long-distance market to competition.

[1:57:41 PM](#)

CHRISTINE OCONNOR, Executive Director, Alaska Telecom Association, Anchorage, recognized part of the team with her today, including members from the Alaska Communications, AT&T, and GCI who could answer questions.

MS. OCONNOR said that SB 83 was solely related to landline service, including local service and long distance. Modern telecommunication networks provide an array of advanced services. She reviewed slide 2, "Unanimous Support." Slide two listed Alaska Telecom Association members.

Adak Eagle Enterprises, Alaska Communications, Alaska Telephone Company, Arctic Slope Telephone Association, Cooperative ASTAC Wireless AT&T, Bettles Telephone, Bristol Bay Cellular Partnership, Bristol Bay Telephone Cooperative, Bush-Tell, Copper Valley Telephone Cooperative, Copper Valley Wireless, Cordova Telephone Cooperative, Cordova Wireless, GCI, Interior Telephone, Mukluk Telephone, Ketchikan Public Utilities, Matanuska Telephone Association, North Country Telephone, Nushagak Cooperative, OTZ Telephone Cooperative, OTZ Wireless, Summit Telephone Company, TelAlaska Cellular, United Utilities, Windy City Wireless, and Yukon Telephone Company.

She said that these companies are the landline, long distance, wireless, and broadband companies that serve Alaska, ranging from small local telephone companies to the statewide providers. These companies have all agreed that many of Alaska's telecom statutes were obsolete, imposing unnecessary regulatory burdens on companies and regulators that do not benefit anyone.

[1:59:04 PM](#)

MS. OCONNOR reviewed slide 3, "Transformation."

- Telecommunications has transformed since many of Alaska's telecom statutes were adopted in 1970s.
- The federal 1996 Telecom Act transformed the marketplace and started an evolution toward light-touch oversight.
- Landline and long-distance use are dramatically reduced.
- Long distance revenues reduced from \$64M to \$13M between 2006-2018.
- 48% of Alaska households have a landline, 4% are landline only.

- Landline and long-distance services continue.

MS. OCONNOR said that despite the shift to other technologies, many of the same regulations have remained in place. Tariff filing requirements use scarce funds that could be better used to serve customers. These requirements also divert resources from the regulators that could be better used on other matters.

MS. OCONNOR reviewed slide 4, which showed a color-coded map of the U.S. She said that 41 states have reduced or eliminated all telecom regulation. Although the details were varied, these changes generally allow telephone companies to manage their own rates. Updating Alaska's statutes would allow Alaska's companies to take advantage of some of the flexibility that most other states already experience, while still maintaining regulators' important role of overseeing provider fitness and the continuance of landline service.

[2:00:34 PM](#)

MS. OCONNOR reviewed slide 5, "AS 42.05 Alaska Public Utilities Regulatory Act."

- Sections retained
 - Certificate of Public Convenience & Necessity
 - Fitness of a provider to serve
 - Requirement to continue service
 - Transfer of certificates
 - Enforcement of obligations
 - Regulatory Cost Charge (amended)
 - Telecommunications Relay Service
 - Lifeline
 - Interconnection
 - Eminent Domain
 - Access charges
 - Alaska Exchange Carriers Association
 - Alaska Universal Service Fund

She said that SB 83 was structured to exempt telecommunication companies from rate regulation under AS 42.05. She reviewed the sections retained. Statutes in AS 42.05 that generally apply to the commission and are not specific to telecommunications would still be in effect, including requirements for public records, and the RCA's authority to enforce the statutes that apply to general and housekeeping provisions.

[2:01:21 PM](#)

MS. OCONNOR reviewed slide 6, "Changes to AS 42.05."

- Rate regulation and tariff management adopt cooperative model, protections for consumers remain.
 - Rates are limited by federal rules
 - Rates across defined service areas are the same
- Eligible Telecommunications Carriers ("ETC") designation explicitly authorized by the Regulatory Commission of Alaska.
- COLR designations for ILECs and IXCs eliminated
 - Certificate of Public Convenience and Necessity oversight remains
 - ETC designation and oversight remains
 - Federal USF/ETC obligations to continue service remain
 - New AS 42.05.381(1) protects rural service
- Regulatory Cost Charge

She explained that federal caps and local limits would remain in place and new provisions would be added to require that rates across service areas must be the same. Carrier of last resort (COLR) designations for landline and long-distance companies would be eliminated. Important protections would remain to ensure that rural areas continue to have landline and long-distance services. The certificate (CPCN) authority requires the RCA to approve both the entry and exit of a provider from a location, she said.

MS. OCONNOR said that the RCA would oversee those eligible telecommunications carrier designations or ETC, including annual reports and certifications to the proper use of funds. Federal rules prevent discontinuance of landline and long-distance service without approval by the Federal Communications Commission (FCC). Federal universal service fund rules also require that providers must provide service upon receipt of a reasonable request. A new section in the bill would require providers to provide the same rates, terms, and conditions to everyone in the service area, which is how Alaska Telecom Association currently operates. SB 83 would put those practices into statute, she said. The regulatory cost charge provides the funding mechanism for the RCA, which is self-funded, she said. As industry has changed over time, it has become distorted and inequitable, so SB 83 would fix that mechanism.

[2:03:18 PM](#)

CHAIR REINBOLD asked for further clarification on the regulatory cost charge adjustment.

MS. OCONNOR explained that the regulatory cost charges were covered in statute in some detail. The time spent on activities at the regulatory commission was calculated and converted into a percentage. Telephone companies pass on these small charges to consumers. The statute also states that cooperatives that have voted to economically deregulate cannot participate in that mechanism. This meant that charges cannot be placed on their bills. However, it also meant that the remaining companies were the only ones assessing these charges. SB 83 would change the language to state that everyone would be assessed the charge since the telecom activity was generated by the RCA and these charges should apply to all users.

[2:04:34 PM](#)

MS. OCONNOR reviewed slide 7, "Rate Protections."

- Federal rules limit local landline rates
- New subsection AS 42.05.381(1) requires rates, terms, and conditions of service to be the same across defined service areas
- Federal Lifeline program supports low-income subscribers

Currently federal rules limit local landline rates, which are certified each year. The federal lifeline program allows low-income subscribers to receive landlines at a very low cost, she said.

[2:05:15 PM](#)

CHAIR REINBOLD asked whether these changes would affect current landline households in cities in Alaska. She said she has landline services and does not want them to be disrupted.

MS. OCONNOR answered that the landline network is a robust system that is especially helpful during emergencies. She affirmed that these change would not affect the availability of landlines. It would add a new layer of certainty going forward to assure that landline service would always be available.

[2:05:56 PM](#)

SENATOR BISHOP said the rate protections seem to level the playing field and close any loopholes for overcharging.

MS. OCONNER agreed that leveling the playing field was one of the biggest benefits of the bill.

MS. OCONNER reviewed slide 8, "Rate Regulation - It Depends Who You Are."

- Cooperatives, with the approval of their members, and municipal telcoms manage their own tariffs. All other companies must maintain one or multiple tariffs at the RCA.
- For other companies review and approval for rate changes varies, with timelines as long as 420 days.
- This limits the introduction of new offerings due to the expense of preparing and supporting tariff filings.
- SB 83 allows all providers to manage their own rates without costly regulatory filings.

She explained that companies set their rates in varying ways. The cooperatives manage their own rates, so if customers wish to buy services they can do so. However, it could take up to 420 days for other companies to change their rates and products. This change would move everyone to the cooperative model, which has been successful for many years, but it would still retain limits on landline rates per the federal rule that would not be changed.

MS. OCONNER summarized that this bill seeks to put everyone on the same basis.

[2:07:22 PM](#)

MS. OCONNER reviewed slide 9, "Burden of Rate Regulation."

- Alaska Communications
- "We have 4 local exchange tariffs with a mixture of tariff rules that apply...Each time we make a tariff change we must do basically 5 times for the local exchange since one study area has different rules to follow. We also have a long-

distance tariff which has even different rules. When filing 5 different tariffs plus a long-distance tariff, it simply is not an efficient business practice especially when these regulations do not apply across all other carriers."

- Lisa Phillips, Senior Manager, Regulatory Affairs and Risk Management

She said that Alaska Communications is one of the largest companies in Alaska, serving dozens of remote villages as well as Alaska's urban centers. Alaska Communications must manage 2,500 pages of tariffs, rarely accessed by the public. The statutes are outdated, and rate regulation consumes resources that could be better spent serving customers.

2:08:00 PM

MS. OCONNER reviewed slide 10, "Eligible Telecommunications Carrier (ETC)."

- ETC designation qualifies a telecommunications provider to participate in federal Universal Service Fund programs.
- Each program requires specific performance and accountability.
- The Regulatory Commission of Alaska provides annual certification to the Federal Communications Commission.
- New subsection AS 42.05.141(f) makes explicit the RCA's authority to designate a provider an ETC.

She explained that "ETC" [Eligible Telecommunications Carrier] would remain unchanged. This designation provides the RCA with an oversight role to provide consumer protection. For example, companies must report to the RCA on their ETC status. The RCA designates ETCs, which qualifies companies to receive federal funding. She said that SB 83 would make the authority to oversee the ETC process explicit for the RCA.

2:08:37 PM

MS. OCONNER reviewed slide 11, "Carrier of Last Resort Designation (COLR)."

- COLR regulations implemented in 2010
-
- Explicit funding for COLR duties ended Jan. 1, 2019
- COLR is redundant to state statutes and federal rules
- Certificate of Public Convenience and Necessity oversight remains
- Eligible Telecommunications Carrier designation and oversight remains
- Federal obligations to continue service remain
- New AS 42.05.381(1) requires uniform rates, terms and conditions

She explained that landline Carrier of Last Resort (COLR) regulations were implemented in 2010. They were intended to ensure that landline service remains in an area by offering financial support to one provider per service area. That explicit financial support was removed in January 2019. Now the COLR regulations still remain as a duplicate layer of regulation that injects regulatory uncertainty into telecommunications, which SB 83 would eliminate. However, the obligations would remain since long standing federal and state protections exist. She read the bullet points, including comments that the RCA has relied on the power of the certificate authority defined in statute. This certificate has been effective in requiring companies to serve in certain locations, she said.

[2:10:25 PM](#)

MS. OCONNOR reviewed slide 12, "Regulatory Cost Charge."

- Funding for telecommunications-related activity at the RCA is inequitable
- Cooperative members have elected economic deregulation, resulting in exclusion from RCC statutes
- SB 83 restores fair assessment by applying RCC statutes to all telecommunications providers

She said that the regulatory cost charge has become distorted by the statutory age and the changes in the marketplace. She said that SB 83 would fix the inequity by including all certificated telecommunication providers in that mechanism. This has been

unanimously supported by the industry, even by the cooperatives since they recognize it as a matter of fairness.

[2:10:53 PM](#)

MS. OCONNER reviewed slide 13, "Consumer Protection."

- Strong consumer protections today
 - Certificate of Public Convenience and Necessity (CPCN)
 - Eligible Telecommunications Carrier (ETC)
 - New 42.05.381(1) rate protection
 - Regulatory Affairs and Public Advocacy (RAPA)
- **Attorney General Consumer Protection Unit**
 - FCC Consumer Complaint Center
- SB 83 maintains these protection

She said that when someone files a complaint with the FCC, a company must respond within a defined time period.

[2:11:25 PM](#)

MS. OCONNER reviewed slide 14, "Benefits to Consumers."

- Mandates rates in remote areas match rates in larger areas
- Allows companies to respond more quickly to consumer preferences
- Focuses resources on consumer services
- Corrects existing distorted assessment of regulatory cost charge

She said that this bill would remove regulatory delay and the cost of providing new service. It also provides companies with the same ability across the playing field to respond to consumer needs.

[2:11:50 PM](#)

MS. OCONNER reviewed slide 15, "SB 83 in Summary."

- Updates statutes and streamlines regulations which only apply to landline-accessed services both local and long distance
- Exempts from many obsolete statutes
- Reduces cost and delay of regulation

- Maintains oversight of providers and continuance of service

She said that the Federal 1996 Telecom Act changed telecommunications, putting everyone on a path toward competition, innovation, and light-touch regulation instead of a traditional monopoly-style regulation. She related that 41 other states have recognized this transformation and the Alaska Telecom Association proposes that Alaska do the same and tailor its statutes to ensure that service continues, but to stop wasting resources on work that is without value, she said. Since last year, ATA has held multiple discussions with the RCA about this proposal. It has participated in multiple public meetings and through those discussions have modified the bill. She reported that in February 2019, the Regulatory Commission of Alaska (RCA) voted to support SB 83.

[2:14:10 PM](#)

SENATOR COSTELLO reminded members that the legislature previously heard this bill. She asked whether there was any opposition to the bill.

MS. OCONNER answered no.

[2:14:46 PM](#)

CHAIR REINBOLD opened public testimony on SB 83.

[2:15:53 PM](#)

RICK HITTS, Vice-President, GCI, Anchorage, said that he has worked in telecommunications in Alaska for over 33 years. He said he is familiar with the statutes and regulations. He expressed gratitude that the committee would encourage this type of legislation, especially since it was overdue. The entire industry is in support of SB 83, he said. Further, the Regulatory Commission of Alaska (RCA) voted 4-1 to support the bill. In addition, this bill is consistent with the governor's goal to reduce unnecessary regulation. He offered his belief that government was becoming more efficient, with a more productive industry, and most importantly that better service would be provided to the end user. SB 83 contains safeguards to protect places where competition was not as robust, such as in rural areas. He encouraged members to pass the bill.

[2:17:34 PM](#)

CHAIR REINBOLD suggested that this bill provided deregulation.

MR. HITTS agreed it was deregulation but that it retains necessary regulation.

[SB 83 was held in committee.]

[2:18:31 PM](#)

At-ease.

SB 52-ALCOHOLIC BEVERAGE CONTROL; ALCOHOL REG

[2:30:54 PM](#)

CHAIR REINBOLD reconvened the meeting. She announced that the next order of business would be SENATE BILL NO. 52, "An Act relating to alcoholic beverages; relating to the regulation of manufacturers, wholesalers, and retailers of alcoholic beverages; relating to licenses, endorsements, and permits involving alcoholic beverages; relating to common carrier approval to transport or deliver alcoholic beverages; relating to the Alcoholic Beverage Control Board; relating to offenses involving alcoholic beverages; amending Rule 17(h), Alaska Rules of Minor Offense Procedure; and providing for an effective date."

[2:31:05 PM](#)

SENATOR COSTELLO clarified the original bill was before the committee. Senator Bishop objected for purposes of discussion.

[2:31:31 PM](#)

EDRA MORLEDGE, Staff, Senator Peter Micciche, Alaska State Legislature, Juneau, paraphrased from the sponsor statement, which read as follows:

SB 52 modernizes the Title 4 statutes governing the Alcoholic Beverage Control Board (board). The bill allows the board to function more efficiently as they regulate the alcohol industry in a manner that promotes public safety and health, while supporting the alcohol industry's continued growth and viability in today's current climate. This bill is the product of a seven-year, unprecedented collaboration of over 100 stakeholders from a diverse group of alcohol industry representatives, public health and safety entities, local governments and advocates for youth. Stakeholders established shared goals as the foundation for developing recommendations:

- Promoting a fair business climate and protect public health and safety. • Creating rational regulation for all tiers of the state's alcohol industry.
- Limiting youth access to alcohol.
- Promoting responsible alcohol use and reduce the harms of overconsumption.
- Implementing without negative impacts on businesses and responsible operators. The result is a reorganization that clearly defines the rights and obligations of licensees, restructures penalties for offenses in Title 4, and organizes the statutes in a logical, common-sense manner for all users of Title 4 statutes.

The bill requires that the director prepare an annual enforcement, education, training, and prevention budget and requires the Board to review fees every 10 years. Penalty sections are amended to ensure consistent enforcement and just outcomes. New statutory provisions retain the three-tier licensing system but create more flexibility for small manufacturers; create a new endorsement system to expand the boundaries of licensed businesses and accommodate special events; and modify the permitting system for clarity. The bill also creates local control in community population limits, adds mechanisms to prevent underage access to alcohol, regulates common carriers who deliver alcohol and provides for a smooth transitional implementation period.

[2:33:19 PM](#)

MS. MORLEDGE said one of the main goals is to restructure licensing to make the current licensing clearer and to place regulatory provisions in statute. The permitting process would remain in regulation, she said. She said the goal is to streamline the process, place it under one title and make regulation easy for the board and industry members. She said that the goals included promoting a fair business climate, protecting public health and safety, limiting youth access to alcohol, promoting responsible alcohol use, reducing the harms of overconsumption, and implementing change without negatively harming existing businesses and responsible operators. The other main goal is to make Title 04 as clear and consistent as

possible for the board, licensees, and law enforcement, she said.

[2:34:43 PM](#)

MS. MORLEDGE explained the key concepts in Title 04 were the three-tier system, including separating manufacturers, wholesalers, and retailers to prevent monopolies. Second, it would restructure and reorganize the licensing system to include the clearly defined categories. Finally, it would address population limits, which regulates the number of licenses available in each community by type. One of the issues raised has been the length of the bill. She explained that this was necessary because changes affect many different sections.

[2:35:25 PM](#)

SENATOR PETER MICCICHE, Alaska State Legislature, Juneau, spoke as sponsor of SB 52. He stated that he has worked on a rewrite of the alcohol beverage control statutes for at least five years.

[2:36:15 PM](#)

SENATOR BIRCH asked whether this was substantially the same as last year's bill or if there were any substantive changes.

SENATOR MICCICHE answered that it was essentially the same bill that passed last year, with a few minor changes. The stakeholder groups met during the interim and some minor changes were made at their request.

[2:37:31 PM](#)

SENATOR MICCICHE explained his interest in the rewrite. As a legislator, he was initially surprised at the number of bills that come before the legislature related to alcohol. Then he discovered that the statutes were outdated, in part, because the industry has dramatically changed in the last 30 years. He said the he reviewed the public health and safety issues, including overserving, serving minors, and the quality of operators. He said that he realized that these issues were intertwined. He pulled together a group of stakeholders to address things that did not make sense. He highlighted that the goals were to support this industry since it is an important one to the state, but still obtain the best results for public health and public safety. He said that SB 52 was the result of this work. He has observed the interaction between industry and the [Alcoholic Beverage Control Board (ABC Board)]. He said that sometimes people are upset with them when they follow the law, but also when they do not. This bill would clarify the law, so everyone

would understand expectations for operators. He offered his belief that this bill would promote a fair business climate, limit youth access to alcohol, promote responsible alcohol use, and reduce the harms of overconsumption. He said that this bill would implement these changes without negatively impacting existing businesses and responsible operators.

[2:39:43 PM](#)

SENATOR MICCICHE said that the legislature has been focused on the opioid epidemic. However, alcohol still represented about 95 percent of the substance abuse problem in Alaska. He said that many things that have affected public health and safety in Alaska for generations, including suicide, sexual abuse, and domestic violence were all tied to alcohol abuse. He said that this bill would take it all into account and redistribute the statutes to make sense. It would add licensing and endorsements to reflect today's operations and provide a comprehensive approach that resets how alcohol is managed in Alaska.

[2:41:26 PM](#)

MS. MORLEDGE said that pages 1-5 of the summary relate to chapter 6 of Title 4, the Alcoholic Beverage Control Board.

Chapter 6: Alcoholic Beverage Control Board

Section 1: Declaration of Policy; purpose; finding.
Adds a new section AS 04.06.005 (Pages 1-2).

[2:41:57 PM](#)

MS. MORLEDGE read Section 2.

Section 2: Authority of director. Adds a new subsection AS 04.06.075 to require that the director of the Alcoholic Beverage Control board (ABC board) shall include in the agency's budget resources for administration, enforcement, education, training, and prevention activities under Title 4. (Page 2)

[2:42:16 PM](#)

MS. MORLEDGE referred to the color coded the document; green referred to new concepts, yellow highlighting showed provisions that were relocated, and magenta referred to the penalty provisions.

[2:43:01 PM](#)

SENATOR BISHOP complimented staff because this made it easy to follow.

[2:43:42 PM](#)

MS. MORLEDGE read Sections 3 and 4.

Section 3: Delegation of Authority. Amends AS 04.06.080 to add endorsements to the delegated powers of the director of the ABC board. (Page 2)

Section 4: Powers and duties. Amends AS 04.06.090(b) to relocate existing language in 04.11.070 and adds endorsements to the powers of the ABC board. (Page 2)

[2:44:05 PM](#)

MS. MORLEDGE reviewed Section 5.

Section 5: Powers and duties. Amends AS 04.06.090(e) to add endorsements. This section requires the board to notify all licensees and municipalities of major changes to Title 4. (Page 2)

She said that the yellow highlighting relates to existing law.

[2:44:21 PM](#)

SENATOR COSTELLO acknowledged that this document was highlighted. She suggested that the committee skip the yellow highlighted provisions and spend more time on the new concepts that were highlighted in green and the penalty provisions highlighted in magenta.

CHAIR REINBOLD agreed.

[2:45:22 PM](#)

MS. MORLEDGE read Section 10, "Proposed Chapter 9, Endorsements and Permits."

Proposed Chapter 9: Licenses, Endorsements and Permits

Section 10: Adds the new Chapter 09 to Title 4 - Licenses, Endorsements and Permits. Relocates many existing licenses and permits from Chapter 11, organizes into articles of licenses, endorsements and permits. (Pages 5-50).

[2:45:36 PM](#)

MS. MORLEDGE referred to page 3 of the sectional analysis [shown in magenta].

AS 04.09.150. Failure to pay annual fee or file affidavit. States that failure to pay an annual wholesale fee or file an affidavit is a violation and sets the penalty. (Page 11)

AS 04.09.160. Failure to pay biennial fee or file declaration. States that failure to pay a biennial fee and failure to file a declaration are violations and sets the penalty. (Pages 11-12)

[2:46:21 PM](#)

MS. MORLEDGE reviewed page 4, [shown in yellow] that reorganizes existing retail licenses.

[2:46:39 PM](#)

At-ease.

[2:47:24 PM](#)

CHAIR REINBOLD reconvened the meeting.

MS. MORLEDGE reverted to page 2, to "New Chapter 9: Licenses, Endorsements and Permits." She explained that this entire section pertained to "Article 1, License Types and Article 2, Manufacturer Licenses," including brewery, winery, and distillery manufacturer licenses. These provisions refer to existing licenses, which were put into the new article.

[2:47:56 PM](#)

MS. MORLEDGE read AS 04.09.050.

AS 04.09.050. Authorized sales. Allows smaller manufacturers to self-distribute to retail, wholesale, permitted and out of state or country licensees. Requires large manufacturers to go through wholesale distributors and not hold retail licenses. (Pages 6-7)

MS. MORLEDGE referred to page 3 of the sectional analysis, which relocated the existing penalties in AS 04.09.060 and AS 04.09.070. She read the new penalty provision in AS 04.09.080.

AS 04.09.060. Unlicensed manufacturing. Relocates the existing penalty for unlicensed manufacture from 04.11.010. (Page 7)

AS 04.09.070. Unlicensed manufacturing in a local option area. Relocates the existing penalty for

unlicensed manufacture in a local option area from 04.11.010. (Pages 7-8)

AS 04.09.080. Unauthorized manufacturer sale. Defines unauthorized manufacturer sale as violating 04.09.050 and sets the penalty. (Page 8)

SENATOR MICCICHE suggested she review the new penalty provisions.

2:49:20 PM

MS. MORLEDGE read AS 04.09.150 and AS 04.09.160 [shown in magenta].

AS 04.09.150. Failure to pay annual fee or file affidavit. States that failure to pay an annual wholesale fee or file an affidavit is a violation and sets the penalty. (Page 11)

AS 04.09.160. Failure to pay biennial fee or file declaration. States that failure to pay a biennial fee and failure to file a declaration are violations and sets the penalty. (Pages 11-12)

2:49:40 PM

MS. MORLEDGE referred to page 4, "Article 4. Retail Licensees," [shown in yellow] were provisions being relocated and reorganized. In response to Chair Reinbold, she explained the reason to reorganize was because some licenses exist in other areas of the state statutes. She said the sponsor seeks to have all of the licenses relocated to AS 04.09.

MS. MORLEDGE reviewed page 5 of the sectional analysis to the provisions [shown in green] related to brewery, winery, and distillery licenses.

AS 04.09.310. Brewery retail license. Creates new license type based on existing language in AS 04.11.130 for brewery retail activities, sets biennial fee at \$1,250, requires retail license to be adjacent to manufacturing location, and sets penalty for failure to comply with license terms. (Pages 21-22)

AS 04.09.320. Winery retail license. Creates new license type based on existing language in AS 04.11.140 for winery retail activities, sets biennial fee at \$1,250, requires retail license to be adjacent

to 5 manufacturing location, defines sales volume limits for cider and mead depending on alcohol content, and sets penalty for failure to comply with license terms. (Pages 22-23)

AS 04.09.330. Distillery retail license. Creates new license type based on existing language in AS 04.11.170 for distillery retail activities, sets biennial fee at \$1,250, requires retail license to be adjacent to manufacturing location, and sets penalty for failure to comply with license terms. (Pages 23-24)

[2:51:16 PM](#)

MS. MORLEDGE reviewed AS 04.09.350 and AS 04.09.360 [shown in green], which were new provisions.

AS 04.09.350. Seasonal restaurant or eating place license. Creates new license type, sets biennial license fee at \$1,250, defines which communities can qualify for having this license type, sets out formula for determining number of allowed licenses per community, and sets penalty for failure to comply with license terms. (Pages 26-27)

AS 04.09.360. Winery direct shipment license. Creates new license type authorizing direct to consumer (including online) sales of wine for in-state or out-of-state winery, sets biennial license fee at \$200, directs the board to develop an application form specifically for this license, prohibits sales by this license type to local option areas, and sets penalty for failure to comply with license terms. (Pages 27-29)

[2:51:51 PM](#)

SENATOR MICCICHE explained the brewery, winery, and distillery references on this slide were incorrect and would be updated.

[2:52:16 PM](#)

MS. MORLEDGE reviewed "Article 5. Endorsements," on page 6 of the sectional analysis [shown in green]. She said that these provisions would allow for manufacturer licenses to obtain varying endorsements for activities occurring on their licensed premises. As an example, she referred to the manufacturer sampling endorsement under as 04.09.410.

AS 04.09.410. Manufacturer sampling endorsement. Creates new endorsement for onsite sampling based on existing language from manufacturing licenses, defines per person per day volume limits by product type, sets biennial fee at \$200, sets penalties for unendorsed sampling and endorsement noncompliance. (Pages 30-31)

She explained that breweries currently provide tasting samples. This provision would create a new endorsement for onsite sampling.

[2:53:11 PM](#)

MS. MORLEDGE reviewed AS 04.09.420.

AS 04.09.420. Multiple fixed counter endorsement. Creates new endorsement for multiple fixed counters with language relocated from duplicate license section in AS 04.11.090, sets biennial fee at \$200, sets initial application fee of \$1,250 per counter, sets penalties for endorsement noncompliance and unendorsed service. (Pages 31-32)

She said that a bar with several rooms would get an endorsement under one license rather than obtaining a duplicate license for each of the rooms.

[2:53:30 PM](#)

MS. MORLEDGE reviewed AS 04.09.420.

AS 04.09.420. Multiple fixed counter endorsement. Creates new endorsement for multiple fixed counters with language relocated from duplicate license section in AS 04.11.090, sets biennial fee at \$200, sets initial application fee of \$1,250 per counter, sets penalties for endorsement noncompliance and unendorsed service. (Pages 31-32)

AS 04.09.430. Hotel or motel endorsement. Creates new endorsement using some language relocated from AS 04.11.090, sets biennial fee at \$200, sets penalties for unendorsed hotel or motel service and endorsement noncompliance. (Pages 32-33)

AS 04.09.440. Large resort endorsement. Creates new endorsement using some language relocated from AS 04.11.090, defines a large resort, sets biennial fee

at \$200, sets penalties for unendorsed large resort service and endorsement noncompliance. (Pages 33-35)

2:53:53 PM

SENATOR BISHOP asked if the definition of a large resort was for a 100-room occupancy.

2:54:58 PM

ANNA BRAWLEY, Title 4 Project Review Coordinator; Senior Associate, Agnew Beck Consulting, Anchorage, answered that a large resort would be a place that offers outdoor recreational activities and overnight lodging for guests. It would also have at least 10 contiguous acres. She said that it could be one big property or parcel.

2:55:22 PM

SENATOR BISHOP asked whether 10 acres was the key.

MS. BRAWLEY answered that the language would require overnight lodging, but it did not require a specific number of rooms.

2:55:39 PM

MS. MORLEDGE suggested that the presentation at the next hearing would help to clarify some things.

2:56:04 PM

MS. MORLEDGE reviewed AS 04.09.450 [shown in green and yellow].

AS 04.09.450. Restaurant endorsement. Creates new endorsement using language from the Restaurant Designation Permit currently in regulation, defines which license types may qualify for the endorsement, sets biennial fee at \$200, defines situations in which minors may be present on licensed premises for employment or dining, and sets penalties for unendorsed restaurant service and endorsement noncompliance. (Pages 35-36)

She said that some provisions were being redefined under a separate endorsement.

AS 04.09.460. Package store shipping endorsement. Creates new endorsement by relocating language from AS 04.11.150, allows licensees to accept online orders, sets biennial fee at \$200, maintains requirement to enter orders to customers in local option areas in written order database, and sets penalties for

unendorsed package store shipping and endorsement noncompliance. (Pages 36-38)

AS 04.09.470. Package store delivery endorsement. Creates new endorsement by relocating language from AS 04.11.150, sets biennial fee at \$200, sets penalties for unendorsed package store delivery and endorsement noncompliance. (Page 38)

AS 04.09.480. Package store repackaging endorsement. Creates new endorsement by relocating language from regulation, sets biennial fee at \$200, sets penalties for unendorsed package store repackaging and endorsement noncompliance. (Page 39)

[2:56:56 PM](#)

MS. MORLEDGE turned to page 7 of the sectional analysis.

She referred to AS 04.09.490. Package store sampling endorsement [shown in green].

AS 04.09.490. Package store sampling endorsement. Creates new endorsement, defines per person per day volume limits by product type, sets biennial fee at \$200, sets penalties for unendorsed package store sampling and endorsement noncompliance. (Pages 39-40)

She reviewed the next three provision [shown in green and yellow].

AS 04.09.500. Bowling alley endorsement. Creates new endorsement using language from AS 04.11.090, sets biennial fee at \$200, sets penalties for unendorsed bowling alley service and endorsement noncompliance. (Pages 40-41)

AS 04.09.510. Golf course endorsement. Creates new endorsement using language from AS 04.11.115, allows a beverage dispensary to serve alcoholic beverages on its course, sets biennial fee at \$200, and sets penalties for unendorsed golf course service and endorsement noncompliance. (Pages 41-42)

AS 04.09.520. Brewery repackaging endorsement. Creates new endorsement by relocating language from AS 04.11.135, limits availability to licensees currently operating brewpubs as of the bill's effective date,

sets biennial fee at \$200, sets penalties for unendorsed brewery repackaging and endorsement noncompliance. (Pages 42-43)

2:57:13 PM

MS. MORLEDGE reviewed "Article 6. Permits" [shown in yellow], which were consolidated in the same place, she said.

She directed attention to AS 04.09.670 [shown in green] on page 8.

AS 04.09.670. Tasting event permit. Creates new permit, allows a package store to host a tasting event on the package store's licensed premises, and service from its product inventory, sets a time limit and food requirement, and limits to six events per license per year. (Pages 47-48)

MS. MORLEDGE said that this would allow a package store to host a tasting event on premise.

She reviewed AS 04.09.700 [shown in magenta].

AS 04.09.700. Failure to comply with a permit requirement. Sets the penalties for failure to comply with permit requirements. (Pages 48-49) setting penalties for requirements

MS. MORLEDGE reviewed "Article 7. Common Carrier Approval" [shown in green].

AS 04.09.750. Common carrier approval. Requires the board to approve a common carrier to transport and deliver alcoholic beverages to persons within the state in response to a consumer's order and sets requirements and penalties for common carriers. (Pages 49-50)

2:58:30 PM

MS. MORLEDGE reviewed "Chapter 11. Licensing. Section 14."

Section 14: Purchase from nonlicensee prohibited. Amends AS 04.11.015 to prohibit the purchase or barter for alcoholic beverages from a nonlicensee and adds penalty with \$250 fine. (Page 51)

She related that Section 14 [shown in magenta] added a penalty.

2:58:48 PM

MS. MORLEDGE said that Sections 16-19 and Section 21 on page 9 [shown in magenta] added penalty provisions.

Section 16: Board approval of transfers. Adds new subsections to AS 04.11.040 (d) and (e) to make it an offense and provide for a penalty for the unauthorized transfer of an alcoholic beverage license or permit. It is a violation. (Page 52)

Section 17: Reports required of limited liability organization. Adds new subsections to AS 04.11.045 (c) and (d) to add a penalty for failure to report a change in member interest or manager with \$250 fine. (Page 52)

Section 18: Reports required of corporations. Adds new subsections to AS 04.11.050 (c) and (d) to add a penalty for failure to report a stock transfer or change of officers or board members with \$250 fine. (Page 52)

Section 19: Reports required of partnerships. Adds new subsections to AS 04.11.055 (c) and (d) to add a penalty for failure to report a transfer of partnership interest or change of general partner with \$250 fine. (Page 52)

2:59:08 PM

MS. MORLEDGE said that Section 20 was relocated. She reviewed Section 21 [shown in magenta], which added a penalty provision.

Section 21: Nonresident distiller, brewer, winery, or wholesaler. Amends AS 04.11.060 to add a new subsection (b) to provide a penalty for violating the previous section, making it a class A misdemeanor. (Page 53)

MS. MORLEDGE reviewed Section 23 [shown in green].

Section 23: Application for new license or permit. Amends AS 04.11.260 to exempt winery direct shipment license from the application process for other license types. (Page 54)

She said that this provision would exempt a winery direct shipment license from the application process.

[2:59:43 PM](#)

SENATOR BISHOP asked whether he could contact a winery in Oregon and have wine shipped directly to his home.

MS. MORLEDGE answered that existing wine clubs currently deliver. However, they were not licensed companies in the state, but this would provide licensure.

SENATOR MICCICHE explained that the reason it was important is because anyone can order wine and liquor, but they may not be of age or be in a dry community. He said the goal is to license them so the state knows who the companies are and that they would be taxed similarly to other establishments in Alaska.

[SB 52 was held in committee.]

[3:00:42 PM](#)

CHAIR REINBOLD reviewed upcoming committee announcements.

[3:01:11 PM](#)

There being no further business to come before the committee, Chair Reinbold adjourned the Senate Labor and Commerce Standing Committee meeting at 3:01 p.m.