

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

April 9, 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**

CONFIRMATION HEARING:

Board of Social Work Examiners  
Mindy Swisher - Fairbanks

-CONFIRMATION ADVANCED

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

**PREVIOUS COMMITTEE ACTION**

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)
03/26/19	(S)	Heard & Held
03/26/19	(S)	MINUTE(L&C)
03/28/19	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
03/28/19	(S)	Heard & Held
03/28/19	(S)	MINUTE(L&C)
04/02/19	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
04/02/19	(S)	Heard & Held
04/02/19	(S)	MINUTE(L&C)
04/04/19	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
04/04/19	(S)	-- MEETING CANCELED --
04/09/19	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)

**WITNESS REGISTER**

MINDY SWISHER, Appointee  
Board of Social Work Examiners  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified as appointee to the Board of Social Work Examiners.

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

**POSITION STATEMENT:** Testified and answered questions on SB 52.

ERIKA MCCONNELL, Director  
Alcohol and Marijuana Control Office (AMCO)  
Anchorage, Alaska

**POSITION STATEMENT:** Testified and answered questions on SB 52.

MICHAEL DUXBURY, Deputy Commissioner  
Department of Public Safety (DPS)  
Anchorage, Alaska

**POSITION STATEMENT:** Testified during the hearing on SB 52.

SARAH OATES, President & Chief Executive Director  
Alaska Cabaret, Hotel, Restaurant, and Retailers Association  
Anchorage, Alaska

**POSITION STATEMENT:** Testified during the hearing on SB 52.

JOHN SKIDMORE, Director  
Criminal Division  
Central Office  
Department of Law

Anchorage, Alaska

**POSITION STATEMENT:** Answered questions during the discussion of SB 52.

BILL HOWELL, representing himself

Sterling, Alaska

**POSITION STATEMENT:** Testified in support of SB 52.

AMUND RONGSTAD, Co-Owner

Amalga Distillery

Juneau, Alaska

**POSITION STATEMENT:** Testified in support of SB 52.

BEVERLY SCHOONOVER, Acting Director

Advisory Board of Alcoholism & Drug Abuse

Alaska Mental Health Board

Juneau, Alaska

**POSITION STATEMENT:** Testified in support of SB 52.

GALEN JONES, Co-owner

Double Shovel Cider Company

Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of SB 52.

ELIZABETH RIPLEY, Chief Executive Officer

Mat-Su Health Foundation

Wasilla, Alaska

**POSITION STATEMENT:** Testified in support of SB 52.

DOUG HOGUE

Kenai River Brewing Company

Soldotna, Alaska

**POSITION STATEMENT:** Testified in support of SB 52.

JAN HILL, Member

Title IV Steering Committee

Haines, Alaska

**POSITION STATEMENT:** Testified in support of SB 52.

DIANE DISTANTO, representing herself

Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of SB 52.

MEL STRYDOM, President

MSA, Inc.

Homer, Alaska

**POSITION STATEMENT:** Testified with concerns about SB 52.

ROBERTA BROOKS, Administrator  
Juvenile Alcohol Safety Program  
Member, Healthy Voices, Healthy Choices Coalition  
Anchorage, Alaska  
**POSITION STATEMENT:** Testified in support of SB 52.

LOGAN DANIELS, Member  
Healthy Voices, Healthy Choices Coalition  
Anchorage, Alaska  
**POSITION STATEMENT:** Testified in support of SB 52.

CHARLIE DANIELS, Director  
Healthy Voices, Healthy Choices Coalition  
Anchorage, Alaska  
**POSITION STATEMENT:** Testified in support of SB 52.

ANDI TAYLOR, Member  
Healthy Voices, Member  
Healthy Voices, Healthy Choices Coalition  
Anchorage, Alaska  
**POSITION STATEMENT:** Testified in support of SB 52.

BRYAN SAYLOR, Member  
Healthy Voices, Healthy Choices Coalition  
Anchorage, Alaska  
**POSITION STATEMENT:** Testified in support of SB 52.

BRANDON SPANOS, Deputy Director  
Tax Division  
Department of Revenue (DOR)  
Anchorage, Alaska  
**POSITION STATEMENT:** Presented the DOR's fiscal note for SB 52.

MATT DAVIDSON, Social Service Program Officer  
Division of Juvenile Justice  
Department of Health and Social Services (DHSS)  
Juneau, Alaska  
**POSITION STATEMENT:** Presented the DHSS's fiscal note for SB 52.

#### **ACTION NARRATIVE**

[1:32:47 PM](#)

**CHAIR LORA REINBOLD** called the Senate Labor and Commerce Standing Committee meeting to order at 1:32 p.m. Present at the

call to order were Senators Costello, Birch, Gray-Jackson, Bishop, and Chair Reinbold.

**CONFIRMATION HEARING**  
**Board of Social Work Examiners**

[1:33:30 PM](#)

CHAIR REINBOLD announced that the first order of business would be a confirmation hearing for Mindy Swisher, appointee to the Board of Social Work Examiners.

[1:34:18 PM](#)

MINDY SWISHER, Appointee, Board of Social Work Examiners, Fairbanks, stated that she has worked for the state's Office of Children's Services (OCS) for the last 12 years. She currently works as a manager in the Fairbanks field office. She is currently a licensed clinical social worker, she said. She expressed her interest in serving on the board because she believes that the profession serves a valuable role. In order to uphold the value and serve Alaskans ethically, it is important to have laws, regulations, and practices in place that hold social workers accountable. She offered her belief that this is an opportunity for her to give back to her profession and to enhance the field of social work.

SENATOR BISHOP thanked her for putting her name forward.

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CHAIR REINBOLD opened public testimony, and after determining that no one wished to testify, closed public testimony on the confirmation hearing.

[1:36:19 PM](#)

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

Board of Social Work Examiners  
Mindy Swisher - Fairbanks

[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.]

[1:37:03 PM](#)

At-ease.

**SB 52-ALCOHOLIC BEVERAGE CONTROL; ALCOHOL REG**

[1:37:09 PM](#)

CHAIR REINBOLD announced that the final 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."

[1:38:34 PM](#)

KRIS CURTIS, Legislative Auditor, Legislative Audit Division, Legislative Agencies and Offices, Juneau, stated that she would review the Division of Legislative Audit's sunset audit for the Alcoholic Beverage Control Board dated November 2017 [Audit Control Number 08-20099-17]. The audit found that in all areas the board was serving the public's interest except for licensing. The division recommended a four-year extension of the potential eight-year extension to recognize the eight recommendations as part of the sunset audit. The audit concluded that the board should improve its procedures for renewing licenses, issuing recreational site licenses, and for issuing beverage dispensary licenses that encourage tourism. Testing found that these licenses were not consistently issued in accordance with statute. The auditors also found that operational improvements were needed in enforcing laws, monitoring board-related law enforcement activity, and for processing refunds to municipalities.

[1:39:52 PM](#)

MS. CURTIS offered to provide a high-level overview of the legislative audit. She reviewed audit recommendation 1:

The authority to renew licenses should be limited to the board.

She explained that the statutes in place were very specific that only the board may issue a renewal license. The statutes allow the board to temporarily delegate its authority to the executive

director. However, the audit found that the board had delegated its authority, but it was not temporary.

[1:40:12 PM](#)

MS. CURTIS reviewed audit recommendation 2:

The board should issue recreational site licenses in accordance with statutory requirements.

She reported that auditors tested 10 of 29 recreational site licenses that were active during the period and found all ten were non-compliant with statutes. She said that statutes were very specific as to what qualified as a recreational site, which includes baseball games, car races, hockey games, dog sled racing events, and curling matches held during a season. The non-compliant entities were travel tour companies, bowling alleys, an art council, a movie theater, a pool hall and a spa. The auditors found the same issue when the division conducted the prior sunset audit. In 2017, the board was aware that it was issuing licenses in violation of statute. However, the board believed it was in the public's best interest to do so. The board anticipated that the licenses would be dealt with in the future rewrite of Title 4.

[1:41:13 PM](#)

MS. CURTIS reviewed audit recommendation 3:

The board should issue beverage dispensary licenses in accordance with statutory requirements.

She reported that auditors sampled 16 of 126 beverage dispensary licenses and found that five licenses were transferred, and six licenses were issued non-compliant with statutes. She explained that statutes give the board the authority to renew or issue a beverage dispensary license if it appears the license encourages tourism without regard to population limits. Further, the statutes provide a minimum number of rental rooms for an entity to qualify as a business that encourages tourism. The auditors found the errors were with entities that did not meet the minimum number of rooms. The board believed that it was appropriate to continue to issue these licenses because the original licenses were issued prior to 1985. This law went into effect on that date, she said. However, the statutes did not provide for any grandfathering provisions.

[1:42:23 PM](#)

MS. CURTIS reviewed audit recommendation 4:

The board, AMCO director, and enforcement supervisor should work together to formally establish an enforcement plan to direct AMCO's limited enforcement resources.

She said the Alcohol & Marijuana Control Office (AMCO) provides support for the Marijuana Control Board and the Alcoholic Beverage Control Board (ABC Board). She explained that the office has limited resources, but it did not have a plan to prioritize the use of the resources.

[1:42:54 PM](#)

MS. CURTIS reviewed audit recommendation 5:

The board and AMCO director should implement a process to monitor and track complaints to ensure they are assessed for follow up action and investigated in a timely manner.

[1:43:04 PM](#)

MS. CURTIS reviewed audit recommendation 6:

The board and AMCO director should develop written procedures for updating the statewide database with restricted purchasers.

She explained that the statewide database of written orders is used to control the sale of alcohol to restricted areas of the state. It is also used to provide package store licensees with a list of individuals who have been convicted of illegally manufacturing or selling alcohol. The stores are prohibited from selling alcohol to these restricted purchasers. The auditor found that the restricted purchasers were not being entered into the database. The auditors also found that the court system was not consistently providing the reports of convictions to the office.

[1:43:49 PM](#)

MS. CURTIS reviewed audit recommendation 7:

The board and AMCO director should improve procedures to ensure municipalities report violations of alcoholic beverage laws.

She explained that current statute requires municipalities to provide this information as a condition of receiving half of the

biennial license fees. The auditors found that four of 40 locations had been submitting the information, yet the fees were being routinely refunded to the municipalities.

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MS. CURTIS reviewed audit recommendation 8:

The AMCO director should develop and implement procedures to ensure refunds to municipalities are appropriately reviewed.

She reported that auditors found only one staff person was calculating and approving the amount of the refunds and approving the payments to the municipalities. Those duties should be segregated, she said.

1:44:35 PM

SENATOR BIRCH directed attention to recommendation 6. He asked for further clarification on restricted purchasers and if these purchasers were a limited pool. He said he was familiar that Anchorage liquor stores were required check drivers' licenses for a red stripe [that indicates the licensee cannot purchase alcohol].

MS. CURTIS answered that restricted purchasers were individuals who were convicted of illegally selling or manufacturing alcohol. The court system has been providing that information to the Alcohol & Marijuana Control Office and staff enters the information into the database. The stores check that information to ensure that alcohol is not being sold to restricted purchasers, she said.

SENATOR BIRCH asked for further clarification on the mechanics. He said it was not as simple as looking for a red stripe.

1:46:08 PM

ERIKA MCCONNELL, Director, Alcohol and Marijuana Control Office (AMCO), Anchorage, answered that AMCO maintains a statewide database as required by statute. She related her understanding that stores check the database at the time written orders, but stores check walk in customers by evaluating the red stripes on the licenses.

MS. MCCONNELL offered to provide information on the process and number of restricted purchasers in the database to the committee.

[1:47:17 PM](#)

SENATOR COSTELLO thanked Ms. McConnell for providing her office with information on the number of licenses in the process of being transferred to a new owner. She explained that some restaurants in her district have operated in the same location for years, but after being sold, the new owner could not serve alcoholic beverages until the liquor license transfer was completed. She said that these owners were reluctant to ask about the transfer for fear that it might slow down the process.

She reported that 46 liquor licenses were in the process of being transferred. The AMCO website indicates that owners should plan for a three to six month delay for processing the license transfer. However, several businesses on the list have waited longer. She reported that at least one restaurant has waited since last June. She acknowledged that the ABC Board's work is important. However, she also thought the processing time for liquor license transfers was excessive and bordered on punitive. She indicated that she has an amendment to the Title 4 rewrite bill [SB 52] to address this situation. She said that people purchase a restaurant and expect that the same food and alcohol could be served. She asked whether the license transfers could happen in a timelier manner.

MS. CURTIS offered to respond in generic terms that would apply to all occupational boards. She said that when the Division of Legislative Audit conducts an audit and identifies a problem such as delays, it sometimes is due to limited resources. For example, an occupation or board may receive a big influx of applications and the board may not enough staff to process them. Other times delays are caused by applicants submitting inaccurate or incomplete applications. Delays may also be related to how often a board meets to conduct its business. Some boards allow electronic applications with edit checks or staff has revised the applications to help reduce errors or omissions. She was unsure what the specific problem was with the ABC Board, but during the survey portion of the audit, the division did not identify timeliness as an issue. She offered to consider timeliness during the next sunset audit.

SENATOR COSTELLO asked whether anything prevents the board from holding telephonic meetings.

MS. CURTIS said she was unsure.

MS. MCCONNELL responded that the ABC Board does not require a business to stop selling alcohol while a transfer process is

underway. She recalled a situation that arose with a restaurant in Senator Costello's district. She said she was unsure why the business stopped serving and selling alcohol because it was not at the direction of her office. As Ms. Curtis mentioned certain elements of the transfer process fall under the ABC Board office's control and other elements fall under the applicant's control. She referred to the first two licensees listed on the chart that she provided in her presentation, which used a transfer with a security interest. The applicants are required to provide the ABC Board with the final recorded security documents after board approval, before the transfer can be effectuated, she said. In those situations, the division must await information from the licensees before the process can be finalized. She offered her belief that if the board could modernize its online license application to a more user friendly system, one that reduced errors, the process could be improved. For example, an applicant could be directed on specific information to enter for each field.

MS. MCCONNELL said the division requested funding to update and modernize its licensing system. In terms of telephonic meetings, a provision in AS 04.06.050 that states, "The board shall also meet at least once each year in each judicial district of the state to study this title and modify existing board regulations in light of statewide and local problems. She related her understanding that this provision is in statute because it recognizes that communities have different issues related to alcohol. It also allows licenses to have some access to their regulatory body.

[1:54:36 PM](#)

SENATOR COSTELLO suggested that there must be some miscommunication. She said that the license transfer issue has occurred with several restaurants. She asked the record to reflect that the board should communicate to an applicant that the business can continue to serve alcohol while its transfer application is being processed. She said that these businesses can suffer an economic downturn.

[1:56:22 PM](#)

MICHAEL DUXBURY, Deputy Commissioner, Department of Public Safety, Anchorage, said he has been in consultation with the Department of Law and the departments' special assistants on the bill. He related his understanding some issues were being addressed. He said that he looks forward to ways to help the sponsor of SB 52.

[1:58:14 PM](#)

SARAH OATES, President & Chief Executive Director, Alaska Cabaret, Hotel, Restaurant, and Retailers Association (CHARR), Anchorage, stated that CHARR does not support the current version of the bill. She said she previously worked for the Alcohol & Marijuana Control Office for seven and one-half years. She said that the legislature has considered a number of versions of a comprehensive bill in the past five years. Each session only very small changes have passed the legislature because of ongoing debates by the three tiers of the alcohol industry about current and proposed privileges and prohibitions of manufacturing license types. During this time members of the three tiers have attempted to come to a compromise on manufacturing operations with mild success. Unfortunately, most of the proposed changes that would add clarity and significantly benefit the public have yet to pass through the legislature.

She explained that SB 52 is largely identical to the version of Senate Bill 76 that passed the Senate during the last legislative session. In its final form, Senate Bill 76 removed a section of the original bill that represented a crucial component of the industry compromise, but it left other pieces of the compromise in the bill. Consequently, Alaska CHARR cannot support SB 52 in its current form.

MS. OATES recommended that the contentious pieces of the bill be removed. This refers to nearly all of the manufacturing provisions in the bill, except for the revised penalty provisions for manufacturing. Alaska CHARR supports downgrading class A misdemeanors for manufacturing to violations. She supported increasing license fees for manufacturing licenses to \$2,500 per license type to be on par with retail and wholesale license fee increases.

She said that Alaska CHARR proposes including in the bill at least 80 percent of alcohol products offered for sale must be manufactured on the licensed premises. She said that the prohibitions for large manufacturers, which are substantially larger than any currently in Alaska, would be limited to selling their products to licensed wholesalers or to entities in other states and countries. This would prevent someone from coming in and monopolizing Alaska's current alcohol industry businesses.

MS. OATES recommended a couple of other small changes, including that the tasting event permit language be amended. In 2018, one licensee recommended changes to the tasting event permit section, but those changes were not agreeable to the rest of

CHARR's alcohol industry members. She said that those changes were included in SB 52. She directed attention to Attachment A, in members' packets. This would revert the language back to what the industry has agreed upon during the last five years.

She referred to Section 145, which would specifically amend the gaming statutes. The current language would disqualify about one-third of existing vendor locations that many non-profit industries use for gaming revenue. She expressed concern that this language could adversely affect many nonprofit organizations.

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MS. OATES stated that she has been communicating with wholesalers and working together to consider proposed changes.

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SENATOR BIRCH expressed his concern that some issues were outstanding because he thought the legislature was almost to the finish line last year. He said he understood she represents a large number of organizations. He asked whether she would prefer the status quo.

MS. OATES clarified that the Alaska CHARR, as a whole, has supported existing manufacturing operations. However, as more manufacturers come on board it substantially cutting into the revenues of retailers across the state. She said that removing most of the manufacturing sections of the bill would allow existing manufacturers to continue operating in their current form. She expressed an interest in retaining all of the "good portions" of the bill. She suggested that industry could settle those smaller pieces that address manufacturing privileges and prohibitions in a separate bill. She was not aware of any proposed legislation to do so, but the goal would be to "battle out" those things in the future.

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SENATOR BIRCH related his understanding that the goal is not to disrupt current operations for manufacturers. He asked whether Alaska CHARR would support moving forward with SB 52 and coming up with some modifications to address manufacturers later.

MS. OATES related that CHARR would support the bill with changes as outlined in the document sent on Saturday [Summary of Proposed Changes and Sectional Analysis of SB 52 prepared by Sarah Oates, March 26, 2019] and work out the issues and disputes in separate legislation.

CHAIR REINBOLD remarked that she looked into the class A misdemeanor. She said Section 145 was an important provision. However, it almost seemed as though she was trying to micromanage wineries, distilleries, and breweries by forcing restrictions, she said. She offered her belief that breweries in her area were struggling with increased fees. She agreed that Alaska Grown local products is important, noting that the committee would consider her comments and suggestions. However, she indicated that everyone needed to compromise and CHARR may need to do so. She recalled that the bill stalled last year because of restrictions to onsite tasting quantities, which she said she thought was outrageous. She asked whether those limits were being sought again.

MS. OATES answered that CHARR was not proposing restrictions to any Title 4 bills to the ways in which manufacturers currently can operate.

CHAIR REINBOLD remarked that she supports local businesses and not ones that fly up products.

[2:10:19 PM](#)

JOHN SKIDMORE, Director, Criminal Division, Central Office, Department of Law, Anchorage, said that SB 52 was designed to address industry regulation. However, the DOL does not take a position on how the industry is regulated. Instead, it focuses on the prosecution of crimes in local option areas, such as the manufacture of alcohol. Some areas have opted to not have alcohol in their local communities, he said. He highlighted four things the department has noticed in SB 52, which have been discussed with the sponsor. He offered his belief that the issues will be resolved.

[2:11:42 PM](#)

MR. SKIDMORE said the first area related to manufacturing provisions in the bill. These seemed to focus on the industry, he said. The department encounters "home brew" in some rural communities. For example, some people take a five-gallon bucket, add sugar and yeast to make an alcoholic concoction. He said it was unclear if the definitions found in Section 144 on page 107 would cover that type of manufacturing, such as home brew. He read the terms, "brewed beverages, distilled spirits, kombucha, mead, sake, wine," and wondered whether the terms were broad enough to include the manufacturing conduct he just described. He clarified that he was not talking about an activity such as brewing beer at home for personal consumption.

[2:12:47 PM](#)

MR. SKIDMORE said the second concern is the importation of alcohol into the local option areas. The bill seemed to be focused on the industry, but the department does not find industry actively trying to send alcohol into these communities. However, some of the sections appear to remove statutes related to possessing with the intent to import alcohol. The department uses that significant phrase in interdiction of alcohol or drugs. Although someone may not have completed the importation, the attempted conduct still needs to be addressed. For example, there is a presumption to sell when someone possesses quantities of alcohol and is at an airport or on a snow machine heading into a village. However, if a person has not crossed the jurisdictional boundary, the department still needs to have the ability to prosecute the attempts. He suggested greater clarity would be helpful to protect the communities.

MR. SKIDMORE said that the bill requires licenses for breweries, distilleries, or wineries or for retail sales on premises. The department is concerned about people putting a number of bottles of alcohol into their luggage and selling it out of a backpack or luggage. This activity is different than a premise-based sale, but it was not clear that this activity could be addressed as currently drafted.

[2:15:02 PM](#)

MR. SKIDMORE raised a third concern, related to penalties. He characterized this as an oversight

AS 04.16.200 is not listed in the bill and relates to mandatory minimum penalties for importation or other activities in local option communities. Since the penalty provision refers back to the statute that originally criminalized it, AS 04.11.010 has now been broken up since the conduct has been placed in other statutes. He suggested that AS 04.16.200 needed to be amended if the sponsor's intent is to apply mandatory minimum penalties.

MR. SKIDMORE raised a fourth concern related to common carriers and transportation of alcohol into communities. He stated ambiguity exists, as to whether labeling requirements or restrictions apply to small amounts of alcohol going into local option communities. Packages have to be labeled for common carriers, but the provisions don't apply under a certain amount of alcohol. He clarified that smaller referred to amounts under a felony level, such as three or four bottles, not 20-30 bottles of alcohol. In closing, he stated that the department identified

areas of unintended consequences. He said that the department is working with sponsor to clarify those items.

[2:17:06 PM](#)

SENATOR BIRCH asked whether the department performs any periodic assessments or purges outdated statutes.

MR. SKIDMORE said he could speak to the efforts the criminal division makes. The criminal division solicits suggestions for revisions from its prosecutors each year, which are discussed, and ultimately shared this with the administration to address. He clarified that the department does not maintain a list, but it works on a continuous review.

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CHAIR REINBOLD opened public testimony on SB 52.

[2:21:39 PM](#)

BILL HOWELL, representing himself, Sterling, spoke in support of SB 52 as written without restrictions on manufacturers. He said he does not manufacture, distribute or sell any alcohol, but he writes about beer and consumes it. He offered his belief that the bill is a good idea since the system is complex and difficult to navigate. The bill would clarify many things. He acknowledged that CHARR indicated some opposition to the bill because bars and restaurants purchase liquor licenses. He offered his belief that Alaskans are supportive of a more open way to purchase alcohol and he supports the economic development that the [manufacturers] bring to the state.

[2:24:10 PM](#)

AMUND RONGSTAD, Co-Owner, Amalga Distillery, Juneau, spoke in support of SB 52. He said that he thinks SB 52 is a good step forward in terms of alcohol laws in the state. He offered his belief that the bill provides clarity and increases enforcement funding, which would be good for public safety. He pointed out that the bill does not directly benefit the distillery, but it does clarify certain laws that may help his or other distillery businesses in the future. He related his understanding that license fees would double, but he supported the increased fees since he hopes it would go towards enforcement.

[2:25:30 PM](#)

BEVERLY SCHOONOVER, Acting Director, Advisory Board of Alcoholism & Drug Abuse, Alaska Mental Health Board, Juneau, stated that these agencies are statutorily charged with planning and coordinating behavioral health services funded by the state.

The boards support SB 52 that provides a much needed update to the Title 4 provisions. This bill includes prevention measures to reduce underage drinking. According to the annual youth risk behavioral survey (YRBS), there have been declines in the number of youth starting to drink under the age of 13. However, underage drinking in Alaska happens and teens binge drink. In 2017, nearly 14 percent of students surveyed admitted to binge drinking within the last 30 days. Binge drinking is four or more drinks for females and five or more drinks for males, she said. Underage drinking, especially binge drinking, is harmful to adolescent brain development. It's important that teens are not driving while under the influence or engaging in other risky behaviors. The boards believe that that the preventative measures outlined in SB 52 will reduce underage drinking because the bill holds adults accountable, by maintaining current penalties for furnishing alcohol to a minor. This bill would ensure that everyone who sells alcohol at a licensed business or permanent event is properly trained to check identification. The bill also would provide much needed resources for enforcement of title 4 by increasing license fees, many which have not been increased in decades and limits the ABC Board's ability to do its job. For example, compliance checks at licensed businesses have not been funded for the last three years. Compliance checks are a nationwide best practice and when all licensees know their businesses will be regularly inspected, it provides a clear incentive for properly training their staff. She thanked the sponsor and the stakeholders and to Recover Alaska for its work on this bill.

[2:27:52 PM](#)

GALEN JONES, Co-owner, Double Shovel Cider Company, Anchorage, said he has attended numerous steering committee meetings in the past three years. He said that most of the suggested revisions were incorporated into the bill. These revisions will benefit Alaska's economy since it promotes an atmosphere that is friendly and conducive to new manufacturing investments and startups in Alaska. He said that this progressive legislation would create additional tax revenue, vibrant hospitality that can attract tourism and create skilled jobs. Most of all, it enables growth of manufacturers wholesale capacity so these businesses can export products and bring money back to Alaska. He suggested that local manufacturers have the ability to create tax revenue. He urged the state to strive to create regulations that promote this bright spot in Alaska's economy. Other states, like Colorado and Washington have booming manufacturing and export massive volumes of craft beverages. He cautioned against moving the state backwards by restricting manufacturing or

hospitality companies, which includes bars and restaurants. He said that Alaskans have shown an overwhelming desire to support local companies and consume locally made products. He said that his company could live with the higher license fees, but it will cut into the small margins due to shipping costs for ingredients. However, he also understands that the license fees will better serve Alaskans with consistent enforcement and faster customer service.

[2:30:26 PM](#)

SENATOR BIRCH thanked him for his leadership in this process. He said he was struck by the parallels with Uber and Lyft. He has clearly demonstrated that the craft beverage, breweries, and cideries have expanded the market in Alaska. He said, "Keep up the good work and I appreciate your testimony this afternoon."

MR. JONES thanked Senator Birch.

[2:31:18 PM](#)

ELIZABETH RIPLEY, Chief Executive Officer, Mat-Su Health Foundation, Wasilla, said that the foundation shares ownership in the Mat-Su Regional Medical Center and reinvests the profits back into the community in the form of grants and scholarships to measurably improve the health of the Mat-Su population. In 2013, the foundation conducted a community health needs assessment, reviewed data analysis, conducted polling, and held 24 community forums. Residents voted and identified alcohol as the number one health issue in the Mat-Su, followed by substance abuse. The foundation spoke to many people in the community, including police captains and chiefs, who identified the number one substance abuse issue as alcohol. Further, alcohol was the number one reason that people ages 19-64 to visit the Mat-Su Regional Medical Center emergency room and it is a major factor for many crimes committed in Alaska, including domestic violence and child maltreatment.

She said that having a well-regulated alcohol industry that understands and follows the laws is part of the solution. She said that alcohol is not an ordinary commodity. According to the Alaska Mental Health Trust 2015 report, alcohol generates \$1.84 billion in costs annually, due to loss of productivity, traffic collisions, criminal justice, and costs for health care.

MS. RIPLEY said that Alaska needs this systemic redraft of Title 4, which would help the ABC Board carry out its mission, benefit organizations and individuals whose work is affected by alcoholic beverage laws and regulations. The health foundation

is particularly interested in the public health aspects, she said. She characterized SB 52 as a bill with wins and takeaways for each stakeholder group. She thanked Recover Alaska, as a large stakeholder group that participated for many years in this process. The Mat-Su Health Foundation is also part of Recover Alaska, she said. She also thanked CHARR for its help to create this revised compromise document.

She said she appreciated Senator Micciche's leadership in bringing SB 52 forward. She offered her belief that CHARR has been using this bill to fight competition due to changes on the competitive landscape, similar to ones taxis faced with ridesharing. However, this bill needs to move forward, even if it is without CHARR's support, she said.

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CHAIR REINBOLD reconvened the meeting and continued to take public testimony.

DOUG HOGUE, Kenai River Brewing Company, Soldotna, spoke in support of SB 52, as written. He stated that the brewery has been operating for about 13 years. He currently employs 22 fulltime employees and recently expanded by building a brand new facility. His business contributes to many local nonprofit and charitable events. He echoed previous testimony, that the bill has taken years of work by many stakeholders. He offered his belief that passing the bill would bring fairness, a clear understanding of licensure, and easy compliance for all license holders. He thanked the sponsor.

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JAN HILL, Member, Title IV Steering Committee, Haines, spoke in support of SB 52. She stated that she has been involved throughout the stakeholder process, including serving as co-chair of the local option subcommittee. She has multiple perspectives on alcohol policy. As a former member of the Alaska Native Health Board, she is acutely aware of the impacts of alcohol on Native Alaskans and the health of Alaska's Native people. While she was not speaking on behalf of the Haines Borough. In her role as mayor, she supports economic development in her community. She also understands the importance of the hospitality industry for Southeast communities. She cares about health and safety and crime reduction in her Haines community. As a member of the Alaska Municipal League and the Conference of

Mayors, she has gained an appreciation for the diversity of challenges local governments face throughout Alaska and the need to balance economic development with the real costs of alcohol to Alaska and its cities.

She offered her belief that Title 4 needed to be modernized and SB 52 is a huge step forward. She said that the stakeholders have worked on this issue for seven years to get to this point. The local option subcommittee talked extensively about the impacts of alcohol in dry and damp communities, alcohol related crimes and the need to improve Title 4 to increase enforcement. While there is still much work to be done with local option laws, SB 52 makes some important changes. One change is that it gives rural communities access to existing data about legal alcohol sales and delivery so communities and law enforcement can understand the flow of alcohol into rural Alaska. Another change is to regulate internet sales to ensure that a person in a dry community cannot use this loophole to get around the monthly order limit. She said that she supports this bill. She urged members to pass SB 52 this year.

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DIANE DISTANTO, representing herself, Anchorage, spoke in support of SB 52. She said that she has seen the destructive effects of alcohol on families, communities, and public health. She said that she was sorry to hear CHARR say that the organization is not happy with the bill. She said that efforts have been ongoing since 2012. She echoed the other testifiers with the importance of the bill. She urged members to get this bill passed.

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MEL STRYDOM, President, MSA, Inc., Homer, said that he holds six package store licenses in the City of Homer. He expressed concern that Section 48 would allow a borough package store license to be transferred into the city. He offered his belief that most cities in Alaska are over the statutory limit for the number of allowable package stores based on the population limits. Using the population limit, the city would only have two licenses, but it has grandfather privileges, so the city has eight package stores. His main concern is the financial concern that SB 52 will have on his business. He said that borough liquor licenses are typically less expensive because of population density. The bill would greatly devalue his six liquor licenses and cause him significant financial losses. He said he does not understand the need for the provision since the sponsor statement states the bill would not have any negative

impacts. He said that he related his concerns to Senator Micciche, but he has not yet heard from him.

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CHAIR REINBOLD said she would speak to the sponsor about his concerns.

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ROBERTA BROOKS, Administrator, Juvenile Alcohol Safety Program, Member, Healthy Voices, Healthy Choices Coalition, Anchorage, spoke in support of SB 52. She stated that she works with children ages 13-18, dealing with the harmful effects of alcohol, underage drinking, and high-risk choices. She said that these youth are uneducated and unaware of the risks for these choices and the permanent effects it can have on their lives. She urged members to pass the bill to empower those who are working to keep kids from underage drinking.

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LOGAN DANIELS, Member, Healthy Voices, Healthy Choices Coalition, Anchorage, spoke in support of SB 52. He said he works with Ms. Brooks. He offered his support for SB 52 since it would modernize the language and to curb underage drinking.

CHARLIE DANIELS, Director, Healthy Voices, Healthy Choices Coalition, Anchorage, spoke in support of SB 52.

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ANDI TAYLOR, Member, Healthy Voices, Member, Healthy Voices, Healthy Choices Coalition, Anchorage, spoke in support of SB 52. She said she provides evaluations for this coalition and other coalitions throughout the state to address underage drinking and adult alcohol abuse.

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BRYAN SAYLOR, Member, Healthy Voices, Healthy Choices Coalition, Anchorage, spoke in support of SB 52. He said he works throughout the state to help communities address these issues.

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CHAIR REINBOLD, after first determining no one wished to testify, closed public testimony on SB 52.

[2:49:01 PM](#)

BRANDON SPANOS, Deputy Director, Tax Division, Department of Revenue, Anchorage, reviewed the DOR's fiscal note for SB 52. He said the current alcohol tax applies to sales within Alaska.

Section 155 of SB 52 would broaden the base would expand the current tax collection on shipments of wine into the state. Since the state does not have data on online sales, the bill has an indeterminate fiscal note. The tax division requests a capital budget request of \$50,000 to update the tax revenue management system. to include shipments into Alaska. This would require businesses who sell alcohol into the state to register with the tax division and file tax returns using an online registration. The additional taxes collected would have a positive revenue effect, he said.

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SENATOR BISHOP said the state will find out how much online sales occur.

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MS. MCCONNELL reviewed the fiscal note for the Alcoholic Beverage Control Board (ABC Board), Department of Commerce, Community and Economic Development (DCCED) dated 4/17/2019. She anticipated that the needs expressed in the fiscal note could be fully funded through program receipts and licensing fees. The department would not need any additional funding from unrestricted general funds (UGF). She reported the fiscal note requests an increased appropriation, in thousands, of \$230.8 in FY 2020, \$570.8 in FY 2021, and \$55.6 in out years beginning in FY 2022.

She said that the department anticipates the changes in fees will provide \$518.0 [in thousands] in 2021 and \$435.0 in the out years. She explained the reason for higher costs in FY 2021 was because shifting the duplicate beverage dispensary licenses into endorsements will require a \$200 biennial endorsement year, except for the first year. In FY 2021, the one-time endorsement fee would be \$1,250. The four-fold purpose would include a two year long-term project assistant to manage the transition for a total cost of \$98.2 in FY 2020 and \$88.2 in FY 2021, split between personnel services and services and commodities. Second, the bill would require a rewrite of regulations that would entail additional board meetings to review and take public comment. It would also cover costs for the Department of Law review, educational materials, printing and public notice fees, and postage for a total cost of \$27.0 in FY 2020 and FY 2021.

MS. MCCONNELL said the third cost would cover travel for the local government specialist for increased education and outreach for \$5.6 per year. The fourth item would cover anticipated costs of new licensing software database of \$500.0 spread over FY 2020

and FY 2021, based on anticipated revenue, with a \$50.0 maintenance fee.

She highlighted fee increases for biennial license fees, including a new license for direct shipment of wine from wineries. She described the assumptions, noting that as Mr. Spanos mentioned, the number of online sales is unknown, so the Alcohol & Marijuana Control Office is unsure of the number of new licensees. The figures are based on an average of one endorsement per license, although some will have multiple endorsements and others will have none, she said. The permit fees are based on \$50 per day, which is negligible and not reflected in the fiscal note.

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SENATOR BISHOP suggested that the office may need a higher range than a range 16 to implement the complexities required.

MS. MCCONNELL noted his comment.

CHAIR REINBOLD cautioned her to use every penny wisely.

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MATT DAVIDSON, Social Service Program Officer, Division of Juvenile Justice, Department of Health and Social Services (DHSS), Juneau, presented the DHSS's fiscal note for SB 52. He stated that the bill has a zero fiscal note from the department. He pointed out that the fiscal note analysis was inaccurate since it reflected an earlier bill version. He offered to resubmit another zero fiscal note. The division does not handle underage drinking, that it is primarily covered by the district courts. In 2016, the penalties for underage drinking were decriminalized, payable by a fine, and a referral to an alcohol education program, administered by the Department of Health and Social Services (DHSS).

CHAIR REINBOLD said that the 2016 bill was a concern to her. She suggested that the department provide information on the effectiveness of decriminalizing some behaviors and how it has affected the incidence of underage drinking. She noted that some other countries, such as Norway, have effective penalties for drunk driving.

[SB 52 was held in committee.]

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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.