

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

April 11, 2019

1:36 p.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE BILL NO. 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)
04/09/19 (S) Heard & Held
04/09/19 (S) MINUTE(L&C)
04/11/19 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

TOM WRIGHT, Staff
Senator Mia Costello
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Testified on behalf of the sponsor regarding amendments.

SENATOR PETER MICCICHE
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Testified as sponsor of SB 52.

EDRA MORLEDGE, Staff
SENATOR PETER MICCICHE
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Answered questions on behalf of the sponsor of SB 52.

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

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

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

POSITION STATEMENT: Answered questions on behalf of the sponsor of SB 52.

ACTION NARRATIVE

[1:36:56 PM](#)

CHAIR LORA REINBOLD called the Senate Labor and Commerce Standing Committee meeting to order at 1:36 p.m. Present at the call to order were Senators Costello, Gray-Jackson, Birch and Chair Reinbold. Senator Bishop joined shortly thereafter.

SB 52-ALCOHOLIC BEVERAGE CONTROL; ALCOHOL REG

1:37:26 PM

CHAIR REINBOLD announced that the only 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."

1:37:51 PM

SENATOR COSTELLO moved to adopt Amendment 1, work order 31-LS0004\U.18, Bruce, 4/11/19.

AMENDMENT 1

Page 56, following line 3:

Insert a new bill section to read:

"* **Sec. 27.** AS 04.11.280 is amended by adding new subsections to read:

(c) A license is automatically transferred as requested in an application for transfer of the license to another person if

(1) the board does not approve or deny the application within 60 days after receiving the application;

(2) the application is for transfer of a

(A) restaurant or eating place license under AS 04.09.210;

(B) seasonal restaurant or eating place tourism license under AS 04.09.350;

(C) restaurant or eating place license under AS 04.09.210 with one or more endorsements; or

(D) seasonal restaurant or eating place tourism license under AS 04.09.350 with one or more endorsements; and

(3) the applicant for transfer of a license has not previously had a license or permit suspended or revoked under AS 04.11.370.

(d) The board may suspend or revoke a license that was automatically transferred to another person under (c) of this section if, after receiving criminal justice information and records obtained under AS 04.11.295, the board determines that the licensee does not meet the qualifications for transfer of a license to another person under this title."

Renumber the following bill sections accordingly.

Page 58, line 29:

Delete "sec. 32"

Insert "sec. 33"

Page 60, line 25:

Delete "sec. 37"

Insert "sec. 38"

Page 62, line 20:

Delete "sec. 39"

Insert "sec. 40"

Page 66, line 29:

Delete "sec. 45"

Insert "sec. 46"

Page 71, line 7:

Delete "sec. 49"

Insert "sec. 50"

Page 71, line 13:

Delete "sec. 49"

Insert "sec. 50"

Page 114, line 26:

Delete "Sections 165(a) and 166"

Insert "Sections 166(a) and 167"

Page 114, lines 29 - 30:

Delete "30, 80 - 83, 85 - 130, 135 - 138, 140, and 148 - 150"

Insert "31, 81 - 84, 86 - 131, 136 - 139, 141, and 149 - 151"

Page 115, line 2:
Delete "sec. 123"
Insert "sec. 124"

Page 115, line 3:
Delete "sec. 124"
Insert "sec. 125"
Delete "sec. 129"
Insert "sec. 130"

Page 115, line 8:
Delete "sec. 170"
Insert "sec. 171"

Page 115, line 11:
Delete "70, and 165"
Insert "71, and 166"

Page 115, line 13:
Delete "70, and 165"
Insert "71, and 166"

Page 115, line 22:
Delete "sec. 160"
Insert "sec. 161"

Page 115, line 28:
Delete "sec. 160"
Insert "sec. 161"

Page 116, line 3:
Delete "sec. 159"
Insert "sec. 160"

Page 116, line 7:
Delete "sec. 159"
Insert "sec. 160"

Page 116, line 11:
Delete "sec. 159"
Insert "sec. 160"

Page 116, line 14:
Delete "sec. 159"
Insert "sec. 160"

Page 116, line 17:

Delete "sec. 159"
Insert "sec. 160"

Page 116, line 20:
Delete "sec. 159"
Insert "sec. 160"

Page 116, line 23:
Delete "sec. 159"
Insert "sec. 160"

Page 116, line 28:
Delete "sec. 159"
Insert "sec. 160"

Page 117, line 1:
Delete "sec. 159"
Insert "sec. 160"

Page 117, line 5:
Delete "sec. 159"
Insert "sec. 160"

Page 117, line 9:
Delete "sec. 159"
Insert "sec. 160"

Page 117, line 13:
Delete "sec. 159"
Insert "sec. 160"

Page 117, line 17:
Delete "sec. 159"
Insert "sec. 160"

Page 117, line 21:
Delete "sec. 159"
Insert "sec. 160"

Page 119, line 15:
Delete "Sections 32, 37, 39, 45, 49, 54, 160,
165(a), 165(c)(8), 166, and 167"
Insert "Sections 33, 38, 40, 46, 50, 55, 161,
166(a), 166(c)(8), 167, and 168"

Page 119, line 17:
Delete "Section 164"

Insert "Section 165"

Page 119, line 18:

Delete "secs. 168 and 169"

Insert "secs 169 and 170"

CHAIR REINBOLD objected for discussion purposes.

[1:38:34 PM](#)

TOM WRIGHT, Staff, Senator Mia Costello, Alaska State Legislature, Juneau, explained Amendment 1, work order 31-LS0004\U.18. This would require the board to issue a license within 60 days. However, some conditions apply, including that the license cannot be issued if the applicant has previously had a license suspended or revoked. The board may suspend or revoke a license that was automatically transferred to another person, if after receiving criminal justice information and records gained under AS 04.11.295, the board determines the licensee does not meet the qualifications for transfer of the license. He indicated that the bill sponsor would like this language added, particularly the language in subsection (d).

[1:40:06 PM](#)

ERIKA MCCONNELL, Director, Alcohol and Marijuana Control Office, Anchorage, responded that she has not seen the amendments since the amendments are not posted.

[1:40:39 PM](#)

At-ease.

[1:43:15 PM](#)

CHAIR REINBOLD reconvened the meeting.

[1:43:20 PM](#)

CHAIR REINBOLD remarked that some of the amendments were just submitted and were not yet uploaded to BASIS. She asked the sponsor's staff to continue.

[1:43:49 PM](#)

MR. WRIGHT reiterated the effect of Amendment 1. For example, a license for a restaurant that serves alcoholic beverages would be automatically transferred as per the application. These transfers would be automatically granted if the board does not approve or deny the application within 60 days. The board may suspend or revoke a license that was automatically transferred to another person, if after receiving criminal justice information and records gained under AS 04.11.295, the board

determines the licensee does not meet the qualifications for transfer of the license.

[1:44:50 PM](#)

SENATOR GRAY-JACKSON remarked that she would like to ask Ms. McConnell a question.

CHAIR REINBOLD reminded her that the amendments were being uploaded.

[1:45:10 PM](#)

CHAIR REINBOLD solicited a motion to move Amendment 1, U.18, to the bottom of the calendar.

[1:45:31 PM](#)

SENATOR BISHOP moved to table Amendment 1, U.18 to the bottom of the calendar.

There being no further objection, Amendment 1 was moved to the bottom of the calendar.

[1:45:53 PM](#)

SENATOR COSTELLO moved to adopt Amendment 2 to SB 52, work order 31-LS0004\U.2, Bruce, 3/29/19:

AMENDMENT 2

Page 65, lines 23 - 26:

Delete all material.

Renumber the following bill sections accordingly.

Page 66, line 29:

Delete "sec. 45"

Insert "sec. 44"

Page 71, line 7:

Delete "sec. 49"

Insert "sec. 48"

Page 71, line 13:

Delete "sec. 49"

Insert "sec. 48"

Page 114, line 26:

Delete "Sections 165(a) and 166"

Insert "Sections 164(a) and 165"

Page 114, lines 29 - 30:

Delete "80 - 83, 85 - 130, 135 - 138, 140, and
148 - 150"

Insert "79 - 82, 84 - 129, 134 - 137, 139, and
147 - 149"

Page 115, line 2:

Delete "sec. 123"

Insert "sec. 122"

Page 115, line 3:

Delete "sec. 124"

Insert "sec. 123"

Delete "sec. 129"

Insert "sec. 128"

Page 115, line 8:

Delete "sec. 170"

Insert "sec. 169"

Page 115, line 11:

Delete "70, and 165"

Insert "69, and 164"

Page 115, line 13:

Delete "70, and 165"

Insert "69, and 164"

Page 115, line 22:

Delete "sec. 160"

Insert "sec. 159"

Page 115, line 28:

Delete "sec. 160"

Insert "sec. 159"

Page 116, line 3:

Delete "sec. 159"

Insert "sec. 158"

Page 116, line 7:

Delete "sec. 159"

Insert "sec. 158"

Page 116, line 11:

Delete "sec. 159"

Insert "sec. 158"

Page 116, line 14:
Delete "sec. 159"
Insert "sec. 158"

Page 116, line 17:
Delete "sec. 159"
Insert "sec. 158"

Page 116, line 20:
Delete "sec. 159"
Insert "sec. 158"

Page 116, line 23:
Delete "sec. 159"
Insert "sec. 158"

Page 116, line 28:
Delete "sec. 159"
Insert "sec. 158"

Page 117, line 1:
Delete "sec. 159"
Insert "sec. 158"

Page 117, line 5:
Delete "sec. 159"
Insert "sec. 158"

Page 117, line 9:
Delete "sec. 159"
Insert "sec. 158"

Page 117, line 13:
Delete "sec. 159"
Insert "sec. 158"

Page 117, line 17:
Delete "sec. 159"
Insert "sec. 158"

Page 117, line 21:
Delete "sec. 159"
Insert "sec. 158"

Page 119, line 15:

Delete "45, 49, 54, 160, 165(a), 165(c)(8), 166, and 167"

Insert "44, 48, 53, 159, 164(a), 164(c)(8), 165, and 166"

Page 119, line 17:

Delete "Section 164"

Insert "Section 163"

Page 119, line 18:

Delete "secs. 168 and 169"

Insert "secs. 167 and 168"

CHAIR REINBOLD objected for discussion purposes.

[1:46:16 PM](#)

MR. WRIGHT explained Amendment 2, which would delete Section 44 of SB 52. That language would grant the executive director additional powers to place restrictions or conditions on licenses.

[1:46:50 PM](#)

SENATOR COSTELLO explained Amendment 2 would delete Section 44. She directed attention to page 65 and read:

* Sec. 44. AS 04.11.395 is amended by adding a new subsection to read:

(b) Except for a conditional contractor's permit issued under AS 04.09.690, the director may, in the best interests of the public, impose conditions or restrictions on a permit issued under this chapter.

She explained the intention of Amendment 2 is to sustain the traditional powers of boards. The board has the power and conveys instructions to the executive director, who will carry out the intentions of the board.

MR. WRIGHT explained that most of Amendment 2 pertained to renumbering the sections.

[1:47:57 PM](#)

SENATOR BIRCH asked how often the board meets. He asked for assurances that it would not affect or stall licenses until the next board meeting.

MR. WRIGHT answered that the board meets quarterly, but it can meet telephonically, as needed.

SENATOR BIRCH asked for further clarification that if an issue arose between the quarterly meetings that the executive director could poll the board and obtain a sense of the board.

MR. WRIGHT answered yes.

[1:49:24 PM](#)

SENATOR MICCICHE, Alaska State Legislature, Juneau, as sponsor of SB 52, stated he did not support Amendment 2. This works against [Amendment 1] U.18. He said that currently the application will either be approved or denied. This section allows the executive director to work with the board to develop conditions for approval. If someone fails a public safety background check, the previous amendment would allow an automatic continuance of the license. He said that if Amendment 2 were to pass, the board would not be able to approve an application if conditions were placed on the license. He acknowledged that he understood the intent, but it would actually place obstacles in the approval process rather than streamlining the process.

[1:51:18 PM](#)

At-ease.

[1:52:10 PM](#)

CHAIR REINBOLD reconvened the meeting.

[1:52:15 PM](#)

SENATOR COSTELLO said that after speaking with the bill sponsor, she believes a conceptual amendment would meet her concern that the board must hold the authority and the executive director must carry out the instructions from the board. It would also address the concern that without Section 44, some applications could be delayed because there would not be any allowance to provide any conditions to an application.

[1:53:01 PM](#)

SENATOR COSTELLO made a motion to adopt a Conceptual Amendment to Amendment 2. On page 65, line 25, delete, "the director may," and replace it with, "the board may." She described it as a fairly simple concept.

[1:53:57 PM](#)

At-ease.

[1:54:43 PM](#)

CHAIR REINBOLD reconvened the meeting.

There being no objection, the Conceptual Amendment to Amendment 2 was adopted.

CHAIR REINBOLD brought Amendment 2, as amended, before the committee.

SENATOR COSTELLO clarified for the record that conditions can be imposed on an application and doing so moves the application process along rather than creating a delay. However, the board would provide the conditions rather than the executive director, who serves the board.

SENATOR MICCICHE agreed to Amendment 2, as amended.

CHAIR REINBOLD removed her objection to Amendment 2, as amended.

There being no further objection, Amendment 2, as amended, was adopted.

[1:56:08 PM](#)

SENATOR COSTELLO moved to adopt Amendment 3, work order 31-LS0004\U.9, Bruce, 4/5/19:

AMENDMENT 3

Page 34, line 5, following "roof":

Insert ", for consumption on the site of the large resort"

Page 94, following line 5:

Insert a new subsection to read:

"(f) Notwithstanding (a) of this section, a person may remove alcoholic beverages from the licensed premises of a beverage dispensary license under AS 04.09.200 or a beverage dispensary tourism license under AS 04.09.340 for consumption on unlicensed portions of a large resort if the licensee holds a large resort endorsement under AS 04.09.440."

Reletter the following subsection accordingly.

CHAIR REINBOLD objected for discussion purposes.

MR. WRIGHT explained Amendment 3. This would allow a person at a large resort who was served a drink to transport it to another part of the resort without the necessity to have a server do so.

[1:57:18 PM](#)

CHAIR REINBOLD offered her support for Amendment 3.

[1:57:37 PM](#)

SENATOR GRAY-JACKSON offered her support for Amendment 3.

[1:57:45 PM](#)

CHAIR REINBOLD removed her objection. There being no further objection, Amendment 3 was adopted.

[1:58:01 PM](#)

CHAIR REINBOLD moved to adopt Amendment 4, work order 31-LS0004\U.14, Bruce, 4/10/19:

AMENDMENT 4

Page 6, line 12:

Delete "1,250"

Insert "1,000"

Page 6, line 19:

Delete "1,250"

Insert "1,000"

Page 6, line 26:

Delete "1,250"

Insert "1,000"

Page 21, line 22:

Delete "1,250"

Insert "1,000"

Page 22, line 22:

Delete "1,250"

Insert "1,000"

Page 23, line 27:

Delete "1,250"

Insert "1,000"

SENATOR BISHOP objected for discussion purposes.

[1:58:41 PM](#)

At-ease.

[1:59:07 PM](#)

CHAIR REINBOLD reconvened the meeting. She explained Amendment 4. This would reduce the biennial brewery and winery manufacturer license fees from \$1,250 to \$1,000. She explained that some smaller brewery and wineries expressed concern that a 480 percent increase would be detrimental to their businesses.

SENATOR MICCICHE pointed out that fees have not been increased for over 40 years. He said that he has only had one complaint from a winery, but none from breweries. He explained that enforcement has not done any compliance checks in any facilities in three years. He expressed concern that this would impact the public safety gains in the bill.

SENATOR BISHOP asked whether the license fees go to the board for administrative costs or to the general fund. He offered his belief that the fiscal note was a little "light" to implement the potential regulations needed under the bill.

SENATOR MICCICHE answered that the license fees go to the board to manage compliance of alcoholic beverage licensing.

[2:01:54 PM](#)

SENATOR GRAY-JACKSON asked for further clarification that reducing the license fees would reduce public safety.

SENATOR MICCICHE agreed. He explained that the additional \$250 fee increase per licensee assists with compliance checks. One of the primary reasons for the bill was to reinstitute compliance checks for the thousands of licensees not currently being checked. He offered his belief that has a direct impact on minor consuming. The executive director prepares and submits an annual budget that includes the funding for administration, enforcement, education, training, and prevention activities under the title. He said that the license fees were designed to fund those activities.

[2:03:07 PM](#)

SENATOR BISHOP asked for further clarification on the current fees.

[2:03:29 PM](#)

EDRA MORLEDGE, Staff, Senator Peter Micciche, Juneau answered that she was not certain, but she thought that the fees were \$800 biennially.

SENATOR BISHOP asked whether the sponsor had vetted the increase to the industry.

SENATOR MICCICHE directed attention to letters of support in members' packets that indicate that the industry supports the current status of SB 52, including the increased license fees. The understand the values of the bill, such that it would clean up the industry and address the small number of operators that give the industry a bad name. He offered his belief that without compliance checks the problems seemed to be increasing.

SENATOR BISHOP said he does not like to see supplemental budget requests. He said he has previously expressed his concerns about the fiscal note.

2:04:42 PM

SENATOR COSTELLO asked Ms. McConnell to comment on the current compliance staff and the total number of compliance checks necessary for businesses that fall under the bill

2:05:03 PM

MS. MCCONNELL explained that compliance checks were previously funded through a federal grant from the Department of Justice, which ended in 2015. The program was suspended at this time with the intent to reexamine and continue it. The assignment of marijuana program to the office created upheaval. It was tough to focus on anything other than getting the marijuana program up and running.

She indicated the intention to continue to do compliance checks. The Alcohol & Marijuana Control Office has eight enforcement officers to cover the entire state. The office would like to conduct the compliance checks to protect the underage persons conducting the activity, including providing workers' compensation for any injuries. For example, if enforcement officers were traveling with staff and a car accident were to occur. She said that the agency is trying to work out those details before bringing the program back.

MS. MCCONNELL highlighted that the program is expensive and requires travel. She reported that approximately 1,900 licenses are in place statewide. She was not certain of the number of licenses that serve alcoholic beverages on premises. AMCO provides compliance checks for consumption on the premises and in package stores. She offered to provide the specific

information in writing. In response to a question, she verified that the office has eight investigators.

[2:06:51 PM](#)

SENATOR GRAY-JACKSON asked how much funding the \$250 increase provides annually. She expressed an interest in knowing if it was equivalent to the salary for one or two investigators.

MS. MCCONNELL offered to provide the information to the committee.

SENATOR GRAY-JACKSON expressed an interest in knowing the impact to public safety and investigators providing compliance checks if Amendment 4 passed and the license fees were reduced from \$1,250 to \$1,000.

MS. MCCONNELL responded that she would have to review and assess the fiscal note. She offered to report back to the committee.

[2:09:15 PM](#)

SENATOR MICCICHE asked to correct the licensing fee amounts. Under SB 52, license fees for a brewery and distillery would increase from \$1,000 to \$1,250, which is a 25 percent increase. The one complaint from Mr. Olson related to a winery manufacturing license, which would increase from \$500 to \$1,250, for a 150 percent increase.

He said that he understood the concerns, that winery license fees could be reduced to \$1,000. He pointed out that Mr. Olson suggested a change to the bond, which was adopted. It meant that quality operators who pay their taxes timely no longer have to have the expense of a bond if the licensee pays their taxes timely for three years in a row.

[2:10:46 PM](#)

CHAIR REINBOLD suggested conflicting testimony was given on current fees.

CHAIR REINBOLD asked to withdraw Amendment 4 in order to continue to work with the sponsor. She expressed an interest in justifying the fees. She expressed concern about abuses or excess spending.

[2:12:48 PM](#)

SENATOR MICCICHE clarified that Ms. Morledge indicated she was not positive about the current fees. He reiterated that Am0 4 proposed an increase in biennial license fees from \$1,000 to

\$1,250. The winery license fees would increase to \$1,250 for a 150 percent increase. He reported that he reviewed the legislative audits. The only problem that arose related to the application of a statute. He did not find any abuses or excesses in spending, he said.

CHAIR REINBOLD clarified that she did not have concerns about AMCO and that she has reviewed their audits. She raised concerns about spending by other boards and commissions. She would like accountability and a measurable outcome that improves public safety.

[2:14:48 PM](#)

SENATOR COSTELLO said she appreciated her concerns. She said the message from the committee is that the fee increases would be used for investigators.

[2:15:36 PM](#)

SENATOR GRAY-JACKSON asked that the information on fee increases be provided in a timely manner.

[2:16:12 PM](#)

SENATOR BISHOP asked whether the bond was a cash bond or is an insurance binder for a percentage of the bond. He further asked if it pertained to a cash bond, whether AMCO would lose revenue or if the fee increase was a wash.

[2:17:02 PM](#)

MS. MCCONNELL answered that the bond was related to the taxes owed to the Department of Revenue and is paid to that department. It is entirely unrelated to Alcohol & Marijuana Control Office budget, she said.

[2:17:19 PM](#)

CHAIR REINBOLD reiterated that Amendment 4 was withdrawn. She said that she intended to bring the amendment before the next committee of referral, the Senate Judiciary Committee.

[2:17:43 PM](#)

CHAIR REINBOLD moved to adopt Amendment 5, work order 31-LS0004\U.19, Bruce, 4/11/19:

AMENDMENT 5

Page 31, lines 13 - 17:
Delete all material.

Reletter the following subsections accordingly.

Page 31, line 23:

Delete "(c) - (e)"

Insert "(c) or (d)"

SENATOR COSTELLO objected for discussion purposes.

CHAIR REINBOLD explained Amendment 5. She said that the holder of a manufacturer license to offer sampling of the product via a manufacturer sampling endorsement would be authorized to advertise.

[2:18:19 PM](#)

SENATOR COSTELLO asked for further clarification. She offered her belief that AS 04.09.410 was a curious section of the bill. She pointed out that the holder of a manufacturer sampling endorsement may not advertise through newsprint, radio, or television, but the business may notify existing customers of sampling activities by electronic means. She asked the reason for the restriction.

SENATOR MICCICHE said he understood Amendment 5 and supports it. He deferred to Ms. Brawley.

[2:19:11 PM](#)

ANNA BRAWLEY, Title 4 Review Coordinator, Senior Associate, Agnew Beck Consulting, Anchorage, related her understanding that the question was about Amendment 5 removing advertising restrictions for sampling by manufacturers.

CHAIR REINBOLD directed attention to page 31, lines 13-17.

MS. BRAWLEY answered that the purpose of the policy proposal was to ensure that advertising for providing free samples would not turn into signage that promoted "free alcohol" to encourage over consumption for the purposes of generating business. The current language in the bill would restrict public advertising for sampling to address this concern. However, it is currently part of the business model to offer tours and sampling, not just in Alaska but in other places. She said that she held discussions with Alaska Berries who had objected to this. The idea that it would be a severe problem is less than initially anticipated, she said.

SENATOR COSTELLO said that she appreciated the concerns that Recover Alaska has raised, but she offered her support for Amendment 5.

SENATOR MICCICHE said that he supports Amendment 5. He related that he has reached out to Alaska Berries, his constituent, to try to find some compromises. He offered his belief that the amendment makes reasonable and productive changes.

[2:21:37 PM](#)

SENATOR COSTELLO removed her objection.

There being no further objection, Amendment 5 was adopted.

[2:21:56 PM](#)

CHAIR REINBOLD moved to adopt Amendment 6, work order 31-LS0004\U.20, Bruce, 4/11/19:

AMENDMENT 6

Page 22, line 11, following "than":

Insert "5.167 gallons of the holder's beer or sake."

Page 22, lines 12 - 13:

Delete all material.

Page 23, line 14, following "than":

Insert "5.167 gallons of the holder's wine, mead, or cider."

Page 23, lines 15 - 19:

Delete all material.

Page 42, line 25, following "than":

Insert "5.167 gallons of the holder's beer or sake;"

Page 42, lines 26 - 27:

Delete all material.

SENATOR COSTELLO objected for discussion purposes.

CHAIR REINBOLD explained that Amendment 6 was a conforming amendment that allows those with a retail license to sell 5.67 gallons of beer, wine, mead, cider or sake.

[2:22:37 PM](#)

SENATOR MICCICHE said that he supports Amendment 6. He said it is allowed by brewers and should be allowed by wineries, cider makers, and sake makers, as well. It puts everyone on a level playing field.

CHAIR REINBOLD pointed out that it relates to wine, mead, and cider.

SENATOR BISHOP asked whether kombucha falls under this provision since some Oregon kombucha makers are making craft kombucha.

MS. MORLEDGE answered that this bill does not regulate kombucha. It only pertains to alcoholic beverages.

[2:24:05 PM](#)

SENATOR BIRCH related that one of his constituents uses a drive-up grocery delivery service. He questioned whether the groceries could include wine or beer. He wondered if a conceptual amendment was necessary. It would read, "It shall not be a violation of this section for the holder of a package store licensed to deliver alcoholic beverages to a customer waiting in package store parking lot if the customer has previously placed an order with the package store licensee and the payment is processed on site." He expressed an interest in hearing from the sponsor.

SENATOR MICCICHE answered that he was uncertain. He offered to address this matter outside the meeting in order to consider if it would create any unintended consequences. At first blush, it sounded reasonable, but he would like an opportunity to evaluate the concept with the department.

SENATOR BIRCH pointed out that this service is a fairly new one offered by some stores. For example, a consumer could drive to a Walmart parking lot and text the store, and the store would deliver the preordered groceries to the parking lot. He reiterated that he wondered whether these deliveries could include wine or beer. He agreed to discuss this outside of the committee.

SENATOR MICCICHE deferred to Ms. McConnell.

MS. MCCONNELL said she has no comment. She said it appeared to be a policy decision. However, she would like to consider it more fully and communicate with the sponsor.

CHAIR REINBOLD offered to work on this issue in the Senate Judiciary Committee, the next committee of referral, if it is not resolved before the bill is reported from committee.

[2:27:35 PM](#)

SENATOR COSTELLO removed her objection.

There being no further objection, Amendment 6 was adopted.

[2:28:11 PM](#)

CHAIR REINBOLD solicited a motion to consider Amendment 1, work order 31-LS0004\U.18, which was set aside.

[2:28:24 PM](#)

SENATOR BISHOP moved to adopt Amendment 1, which was discussed earlier in the meeting and moved to the bottom of the calendar.

SENATOR COSTELLO objected for discussion purposes.

MS. MCCONNELL said she appreciated the committee delaying action on Amendment 1 to allow her to review it. She raised several considerations. First, AS 04.11.510 (a) requires the staff and board to bring completed applications to the board within 90 days. She explained that the Alcohol & Marijuana Control Office board schedule is based on the 90-day requirement. The board meets approximately five times per year to ensure that completed applications are considered timely. She expressed concern that a 60-day requirement would mean that the board would meet more often and add additional expense or some applications for transfers would go to the board and others would not.

MS. MCCONNELL said it could lead to local government protests. She asked for further clarification on how that would be addressed. Second, it raises concern on whether applicants have met their obligations under unemployment and workers' compensation insurance. The Department of Labor periodically reports when licensees do not meet these requirements. Further, the Workers' Compensation Board has issued fines and outlined issues that licensees need addressed.

MS. MCCONNELL said third, that the criminal background check was addressed in subsection (d). However, the board cannot currently approve a transfer unless, per AS 04.11.360 (4):

(4) the transferor has not paid all debts or taxes arising from the conduct of the business licensed under this title unless

(A) the transferor gives security for the payment of the debts or taxes satisfactory to the creditor or taxing authority;

She said that a transfer provides an opportunity for creditors to ensure that payments are received, so liens are often filed on licensees by distributors and suppliers for nonpayment.

MS. MCCONNELL reiterated that she was unclear on how those three issues would be addressed if Amendment 1 was adopted.

SENATOR COSTELLO offered her belief that this amendment would not affect local community protests. She recalled from Ms. McConnell's previous testimony that the board was able to hold telephonic meetings and the agency was working towards an online application process. She suggested these two items dovetail and satisfy the concerns. Further, she recalled her response to why so many restaurants in her community are on hold even though the previous owner had the ability to serve alcoholic beverages.

SENATOR COSTELLO asserted that this bill reinforces what the AMCO has previously testified already occurs. However, in practice, it may not transpire in the same way. She offered her belief that the protections in current law are good ones. However, the fact that some transfers are being significantly delayed was a concern to her. Amendment 1 attempts to address her concerns, she said.

[2:33:38 PM](#)

SENATOR GRAY-JACKSON remarked that she has served in local government observing the number of protests on liquor licenses. She asked for further clarification on whether Amendment 1 would affect local government protests due to conflicting comments.

MS. MCCONNELL said she was unsure how Senator Costello viewed Amendment 1 with respect to protests. She highlighted her concern was for licenses automatically transferred. She suggested that language similar to subsection (e) could be added to ensure that if the local body objected timely, it would be addressed.

SENATOR COSTELLO offered her belief that all the tools currently exist for AMCO. This would just change the timeline from 90 days to 60 days, which essentially requires AMCO to speed up the processing time. She was not under the impression that Amendment 1 would affect any of the current processes. For example,

Alcohol & Marijuana Control Office would still have the ability to deny a license transfer.

SENATOR MICCICHE said that he understands both sides of this concern. He offered his support for Amendment 1. He suggested that if Amendment 1 was adopted today, the bill sponsor and Senator Costello could continue to evaluate whether any additional stop gaps were necessary if money is owed or other issues arise that would interrupt the automatic license transfer.

[2:36:37 PM](#)

CHAIR REINBOLD referred to page 1 line 6 of Amendment 1. She said she thought it was important to clarify that it was a "completed" application.

MS. MCCONNELL said that the board's interpretation is that this refers to a completed application. She explained that the board would not allow a licensee to stonewall a needed correction and expect that the application was approved because 60 days had passed. She said that the addition of "completed" would be positive and provide clarity, but the interpretation would be the same.

[2:37:40 PM](#)

CHAIR REINBOLD offered a Conceptual Amendment to Amendment 1, on line 6, before "application" to add "completed".

SENATOR COSTELLO said that the Conceptual Amendment to Amendment 1 would add clarity and she had no objection.

There being no further objection, Conceptual Amendment 1 to Amendment 1 was adopted.

[2:38:19 PM](#)

SENATOR BISHOP said he previously removed his objection.

[2:38:33 PM](#)

SENATOR COSTELLO remarked that this bill has previously been through the process. Further, SB 52 has been referred to three committees. She offered to work with Ms. McConnell and the sponsor with respect to how Amendment 1 will affect the board's ability to carry out the important public safety responsibilities.

SENATOR MICCICHE acknowledged that as a past mayor he observed some issues with licensees, who might owe local taxes or have

complaints lodged. He suggested that the transfer process often provided an opportunity to sort through some of the issues. He offered his belief that Amendment 1 was a good amendment. He suggested that this language would force conversations to ensure that local government make certain that people who are most impacted by the licensees have a voice in the process. He offered to continue to work on any issues.

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SENATOR BIRCH thanked the committee for the work on the amendments. He also thanked Ms. McConnell for her timely responses to issues he raised and the sponsor for the work on the bill.

[2:40:35 PM](#)

There being no further objection, Amendment 1, as amended, was adopted.

[SB 52 was held in committee.]

[2:40:52 PM](#)

CHAIR REINBOLD reviewed the upcoming meeting announcements and pending amendments for SB 52.

[2:45:03 PM](#)

There being no further business to come before the committee, Chair Reinbold adjourned the Senate Labor and Commerce Standing Committee meeting at 2:45 p.m.