

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

February 11, 2022

9:00 a.m.

MEMBERS PRESENT

Representative Zack Fields, Co-Chair
Representative Ivy Spohnholz, Co-Chair
Representative Calvin Schrage
Representative Liz Snyder
Representative David Nelson
Representative James Kaufman
Representative Ken McCarty

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

CS FOR SENATE BILL NO. 9 (FIN)

"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 9

SHORT TITLE: ALCOHOLIC BEVERAGE CONTROL; ALCOHOL REG

SPONSOR(S): SENATOR(S) MICCICHE

01/22/21	(S)	PREFILE RELEASED 1/8/21
01/22/21	(S)	READ THE FIRST TIME - REFERRALS
01/22/21	(S)	L&C, JUD, FIN
02/12/21	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
02/12/21	(S)	Heard & Held
02/12/21	(S)	MINUTE(L&C)
03/03/21	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)

03/03/21	(S)	Scheduled but Not Heard
03/10/21	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
03/10/21	(S)	-- MEETING CANCELED --
03/12/21	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
03/12/21	(S)	Moved SB 9 Out of Committee
03/12/21	(S)	MINUTE(L&C)
03/15/21	(S)	L&C RPT 3DP 1NR
03/15/21	(S)	DP: COSTELLO, GRAY-JACKSON, REVAK
03/15/21	(S)	NR: STEVENS
03/24/21	(S)	JUD AT 1:30 PM BUTROVICH 205
03/24/21	(S)	Scheduled but Not Heard
03/29/21	(S)	JUD AT 1:00 PM BUTROVICH 205
03/29/21	(S)	Heard & Held
03/29/21	(S)	MINUTE(JUD)
04/07/21	(S)	JUD AT 1:30 PM BUTROVICH 205
04/07/21	(S)	Heard & Held
04/07/21	(S)	MINUTE(JUD)
04/12/21	(S)	JUD AT 1:30 PM BUTROVICH 205
04/12/21	(S)	Moved CSSB 9(JUD) Out of Committee
04/12/21	(S)	MINUTE(JUD)
04/14/21	(S)	JUD RPT CS 2DP 2NR 1AM SAME TITLE
04/14/21	(S)	DP: REINBOLD, MYERS
04/14/21	(S)	NR: SHOWER, HUGHES
04/14/21	(S)	AM: KIEHL
05/03/21	(S)	FIN AT 9:00 AM SENATE FINANCE 532
05/03/21	(S)	Heard & Held
05/03/21	(S)	MINUTE(FIN)
01/19/22	(S)	FIN AT 1:00 PM SENATE FINANCE 532
01/19/22	(S)	Heard & Held
01/19/22	(S)	MINUTE(FIN)
01/20/22	(S)	FIN AT 1:00 PM SENATE FINANCE 532
01/20/22	(S)	Heard & Held
01/20/22	(S)	MINUTE(FIN)
02/03/22	(S)	FIN AT 1:00 PM SENATE FINANCE 532
02/03/22	(S)	Moved CSSB 9(FIN) Out of Committee
02/03/22	(S)	MINUTE(FIN)
02/04/22	(S)	FIN RPT CS 2DP 1NR 2AM SAME TITLE
02/04/22	(S)	DP: BISHOP, WIELECHOWSKI
02/04/22	(S)	NR: STEDMAN
02/04/22	(S)	AM: WILSON, OLSON
02/08/22	(S)	TRANSMITTED TO (H)
02/08/22	(S)	VERSION: CSSB 9(FIN)
02/09/22	(H)	READ THE FIRST TIME - REFERRALS
02/09/22	(H)	L&C, FIN
02/11/22	(H)	L&C AT 9:00 AM BARNES 124

WITNESS REGISTER

SENATOR PETER MICCICHE
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: As the prime sponsor, introduced CSSB 9(FIN).

ANNA BRAWLEY, AICP
Title 4 Review Coordinator
Consultant, Agnew::Beck Consulting
Anchorage, Alaska

POSITION STATEMENT: During the hearing on CSSB 9(FIN), provided a PowerPoint presentation titled "Alcoholic Beverage Control (ABC) Board, Title 4 Review Project, Overview of Senate Bill 9."

SARAH OATES, CEO/President
Alaska Cabaret, Hotel, Restaurant and Retailers Association
(Alaska CHARR)
Anchorage, Alaska

POSITION STATEMENT: Provided invited testimony in support of CSSB 9(FIN).

TIFFANY HALL, Executive Director
Recover Alaska
Anchorage, Alaska

POSITION STATEMENT: Provided invited testimony in support of CSSB 9(FIN).

GLEN KLINKHART, Director
Alcohol and Marijuana Control Office (AMCO)
Anchorage, Alaska

POSITION STATEMENT: Provided invited testimony in support of CSSB 9(FIN).

LEE ELLIS, President
Brewers Guild of Alaska
Anchorage, Alaska

POSITION STATEMENT: Provided invited testimony in support of CSSB 9(FIN).

ACTION NARRATIVE

[9:00:20 AM](#)

CO-CHAIR ZACK FIELDS called the House Labor and Commerce Standing Committee meeting to order at 9:00 a.m. Representatives Kaufman, Nelson, Spohnholz (via teleconference),

Schrage, and Fields were present at the call to order. Representative Snyder and McCarty (via teleconference) arrived as the meeting was in progress.

SB 9-ALCOHOLIC BEVERAGE CONTROL; ALCOHOL REG

[9:00:42 AM](#)

CO-CHAIR FIELDS announced that the only order of business would be CS FOR SENATE BILL NO. 9(FIN), "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."

[9:01:09 AM](#)

SENATOR PETER MICCICHE, Alaska State Legislature, as the prime sponsor, introduced CSSB 9(FIN). He explained that about 10 years ago people came together about Title 4, a hodgepodge of single bills that have been added in as the alcohol industry has changed over the last 40 years. Title 4 is confusing and not well organized, creating issues and making it difficult for the Alcoholic Beverage Control Board, public safety, and licensees. The old Title 4 does not reflect how the alcohol industry occurs in Alaska today. This rewrite, SB 9, tries to bring back order, recognizing the differences in how people operate and working to make the ABC Board more responsive and more effective in how it manages alcohol in Alaska.

SENATOR MICCICHE stressed that alcohol is a very important industry in Alaska. For those with a healthy relationship with alcohol the problems aren't so apparent. However, alcohol also destroys many lives in Alaska; it is by far the number one substance that is abused. The bill tries to rebalance the way that the industry currently operates through the lens of a group of people who came together many years ago on a steering team; [the legislature] came in a couple years after they started. These are very diverse interests of public safety, public health, traditional license holders, and brewers and distillers and these people did not agree. There were worries about competition, people in public safety and public health were

worried about increases in alcohol, but they were able to come together on this bill.

9:04:15 AM

SENATOR MICCICHE cautioned that [legislators] are going to hear about tasting rooms as though that is a key issue in the bill. But, he continued, that is approximately five lines in a 125-page bill. The bill tries to balance this new way that some Alaskans are voting with their feet into tasting rooms, the bill gives them some additional latitude to operate. There was a give and take by all parties to arrive at what is in this bill - along with the limitation came some real benefits. If they want to be a bar, they can now purchase a "BDL" and be a bar, they can have some events, they can stay open a little later - instead of a soft close at 8:00 p.m. they can stay open until a 10:00 p.m. hard close. While people are going to focus on that, the Senate had these same discussions and it passed unanimously once people realized the many beneficial things.

SENATOR MICCICHE stated that regardless of whether one's focus is on public safety and health or on industry, SB 9 resets how alcohol is regulated in Alaska. The series of licenses, endorsements, and permits allows someone to dial in exactly the way they want to operate; a bill won't have to be dropped next year because someone wants to do something that is a little different. The bill allows funding for additional enforcement and allows funding for a database that will make licensing much more efficient. He said members can discuss and ask questions about the five lines, but he urged that members try not to focus on those five lines because there are so many good things in the bill. The bill will change how the industry operates moving forward, he continued, and readjustments through future bills can be made as understanding develops on how all these pieces work together in this ever-changing industry.

9:07:50 AM

ANNA BRAWLEY, AICP, Title 4 Review Coordinator, Consultant, Agnew::Beck Consulting, provided a PowerPoint presentation titled "Alcoholic Beverage Control (ABC) Board, Title 4 Review Project, Overview of Senate Bill 9." She turned to slide 2, "Why Alcohol Control? Why Title 4?" and stated that alcohol is not like other commodities such as shoes. Alcohol has social costs, so it is important to recognize that every state since Prohibition has put in place alcohol laws, and it is important to look at alcohol as a regulated product.

MS. BRAWLEY moved to slide 3, "Goals of Title 4 Review Process." She said the process began in 2012, well before there was a legislative bill, to look at the problems in the statutes and to find common ground to fix them. The goals are: 1) promote a fair business climate while protecting public health and safety; and 2) make Title 4 clear, consistent legal framework for the ABC Board, licensees, law enforcement, and local governments so that everyone using these statutes on a daily basis understands how they work.

MS. BRAWLEY addressed slide 4, "Over 120 Diverse Stakeholders." She noted that the many different stakeholders included the public health sector, the public safety and law enforcement sector, all three tiers of the industry, community advocates, local governments, the ABC Board, and the Alcohol and Marijuana Control Office (AMCO).

[9:09:47 AM](#)

MS. BRAWLEY discussed slide 5, "Categories of Recommendations." She outlined the five categories of recommendations or policies within the bill. First is the business piece of the bill - alcohol licenses, permits, and trade practices. Second is the role and functions of the ABC Board and staff. Third is underage drinking and youth access to alcohol - a main reason for why the public health folks came to the table. Fourth is regulation of internet sales of alcohol. Fifth, the bulk of the bill, is the technical and administrative law changes. While the bill is many pages, much of it is reorganizing, renumbering, and making the statutes work together.

MS. BRAWLEY displayed slide 6, "The 3-Tier System." She stated that the general theory of alcohol regulation is the 3-tier system to prevent a monopoly where one company makes, wholesales, and retails a product, thereby controlling the market. The traditional view of the 3-tier system is to have separate businesses doing manufacturing, distributing and wholesaling, and retailing. That has changed over time in Alaska and across the US with the advent of brewpubs and tasting rooms, so the intent is to keep the spirit of the 3-tier system in place but allow it to have some give and flexibility.

[9:11:19 AM](#)

MS. BRAWLEY stated that slides 7, 8, and 9, all titled "Alaska's Liquor License System: Proposed Changes," illustrate generally

how the different license types fit together. Almost all the licenses shown on these slides already exist, she explained, and they are either renumbered, or renamed, or organized so that all the manufacturing licenses are together in the statute. Speaking to slide 7, she said the manufacturing tier includes brewery manufacturers, winery manufacturers, and distillery manufacturers. The wholesale tier includes the two license types of general and limited beer-wine for selling different types of products. Ms. Brawley explained that slide 8 depicts the various retail licenses: beverage dispensaries, bars, package or liquor stores, restaurants or eating places, theater licenses, and so forth. Most of these already exist [outlined in green box] and there aren't significant changes to the licenses. New ones are outlined in yellow boxes - brewery retail, winery retail, and distillery retail - which take functions that already exist in the existing brewery, winery, and distillery statutes and make them a separate license so that a business can choose to make the product, sell it at a limited retail space, or purchase a full retail license, which cannot currently be purchased. Ms. Brawley said slide 9 depicts additional retail licenses that are considered serving the tourist industry, so are not part of the population limits and are available to communities that have a lot more visitors than residents essentially. Most of those already exist or the bill is just clarifying their definitions in statute. Other proposed new license types are the fair license that deals with the nonprofit state fair and the manufacturer direct shipment license. Some licenses are being removed from statute, but that type of business isn't being removed, she continued. It is converting that license to something else that already exists, thereby streamlining and not having different types of licenses that do the same thing.

[9:14:00 AM](#)

MS. BRAWLEY highlighted the bill's proposed changes for businesses. She moved to slide 10, "Proposed: More Retail Options for Manufacturers," and qualified that while brewery is the type of manufacturer depicted on the slide, this applies for all three types of manufacturers. She explained that currently under a brewery license as much product can be made as wanted, but the brewery has very limited rules through the tasting room, so the brewery is limited on the retail side. Or, under a brew pub license, there can be a full bar or a full restaurant but only so much beer can be made per year. The proposal is to combine those two tracks, keep limits on the retail side, don't put production limits on the licenses, and a brewery could

either choose to continue to operate on a tasting room model with those limited hours, limited sales volume, and so on. Or, a brewery could now purchase a full retail license, and make its own beer and have a full restaurant. That is common in other states, but [in Alaska] that is currently only allowed in a very specific situation. So, this allows those manufacturers to have more choices.

MS. BRAWLEY proceeded to slide 11, "Proposed: Endorsements on Licenses." She noted that adding endorsements is not a new concept, an example being a driver's license endorsement for commercial driving. In the context of alcohol licenses, she continued, it would give more flexibility to either allow more activities than would normally be had, or to allow a larger premise, such as more than one room or being able to serve in a larger area like a resort. It would solve these issues that have come up with the ABC Board and puts in place a streamlined and consistent process.

MS. BRAWLEY displayed slide 12, "Proposed Endorsements," which read (original punctuation provided):

- R-7A|Bowling Alley Endorsement
- R-7B|Package Store Shipping Endorsement
- R-7C|Package Store Delivery Endorsement
- R-7D|Package Store Re-Packaging Endorsement
- [R-1]Multiple Fixed Counter Endorsement
- [R-1]Hotel/Motel Endorsement
- [R-1]Large Resort Endorsement
- [R-3]Package Store Sampling Endorsement
- [M-1]Brewery Repackaging Endorsement

MS. BRAWLEY said most of these proposed endorsements in the bill already exist - some are part of existing licenses; some are in regulation. The bill takes all these concepts that are all over the place in the statute and puts them in one place so that it is clear to businesses what options they have.

MS. BRAWLEY reviewed slide 13, "Proposed: Limited Free Samples for Package Stores." While not currently allowed in Alaska, sampling is common in other states, she said. If the bill passes, limited sampling would be allowed at package stores [with a Package Store Sampling Endorsement]. Samples and hours would be limited to ensure that the health and safety aspects are cared for. Neighborhoods don't want to see unlimited

drinking at a package store, so that's an example of a compromise.

MS. BRAWLEY turned to the list of permit types on slide 14, "Standardize Permits." She explained that a permit is time limited for a special event, such as catering of a fundraiser, versus a license where a business is serving year-round full time. She noted that most of these permits already exist under regulation and the bill is just reorganizing what is already there. The bill proposes [three] new permits to address issues that have come up. For example, the Music Festival Permit addresses the situation where an event in a rural area with few options for bar catering can continue doing what they do today.

[9:17:24 AM](#)

MS. BRAWLEY proceeded to slide 15, "Proposed: Package Store Tasting Event Permit." This is new for package stores, she noted, and is different than the sampling permit. This permit would allow a package store to hold a tasting event, such as a wine tasting, with a dinner on its premises and the ability to showcase the store's products. The hours would be limited, and food must be served. As well, the number of permits that a package store can use per year would be limited. It opens more opportunities for businesses to showcase their products safely.

MS. BRAWLEY addressed slide 16, "Population Limits: Current Title 4." She explained that population limits are a ratio of the number of licenses to the number of residents and are set by community. A borough has a set number of licenses and a city within that borough has a different number of licenses. For locations not in a borough or city, there is a separate process for determining receipt of a license. There are different limits for restaurants, there can be relatively more restaurants than other types. Licenses that are still exempt from population limits are depicted in green on this slide, she continued. For example, tourism licenses for a hotel or in an airport do not have to follow these population limits, so there are already ways to work outside of those limits.

MS. BRAWLEY spoke to slide 17, "Proposed Seasonal REPL [Restaurant or Eating Place License] Tourism." She stated that this proposed license would be a way to provide more flexibility for communities that want to expand and have economic growth without throwing away the system of limits. It would be available in smaller communities [less than 40,000] and would have the same privileges as a year-round restaurant but would

only operate half the year. Many businesses already operate this way only through the summer season, so it is anticipated that some folks would switch to this license. A formula based on the number of visitors, not the resident population, would determine how many licenses a community could get.

MS. BRAWLEY moved to slide 18, "Proposed: Convert Public Convenience Licenses and Applications." This is an example of something in statute that is intended to give flexibility, she said, but is cumbersome for everybody to use. Only available for restaurants, [existing Public Convenience Licenses, which are not transferable,] would be converted to regular Restaurant or Eating Place Licenses (REPLs), which are transferable [to a new owner or location]. This proposal would discontinue the current system in which an applicant, a business wanting to get a license, must get signatures in the community, and then that process goes to the ABC Board. Cities have said it is difficult to use, it can be arbitrary, and it is up to the individual business to do all the work. So, this proposal would make sure that there are ways for communities to see more licenses.

[9:20:53 AM](#)

MS. BRAWLEY proceeded to slide 19, "Proposed: Local Government Petition for Additional Alcohol Licenses," and reviewed the proposed process for cities and boroughs to request from the ABC Board that they should have more licenses. Under this proposal, she said, the city would petition the ABC Board and make its case not for an individual business but for multiple licenses in the city or borough - for example, one more bar and two more restaurants over the next ten years. Then, if the ABC Board says yes, these licenses would be permanently available [to apply for] in that community and they could be transferred like any other license. If the ABC Board says no or that the number requested is excessive, the city can petition again.

SENATOR MICCICHE interjected that this is an important aspect in replacement of the petition signature type of license, which isn't working. He stressed that the numbers used by Ms. Brawley are purely an example and not representative of what might be asked for. Some communities are lagging right now and might, for example, apply for ten rather than two restaurants and the ABC Board might approve only three additional restaurant licenses and a bar. The belief is that this proposed system is the best way for the board and the municipality to work together for additional local control on future licensing.

9:23:00 AM

MS. BRAWLEY continued to slide 20, "Proposed: Option to Relocate Some Licenses from a Borough to a City." This already exists in statute, she stated, but the proposal would allow for transfer of a license. This is a specific situation for a borough that has cities within it that have different population limits, different numbers of licenses. If, for example, someone wants to operate a package store in a city and looks for one that is in the borough and available, this section of statute would allow that license to be permanently moved or relocated from a borough license to the city. This would be another way to concentrate that economic activity in commercial centers without necessarily creating new licenses.

MS. BRAWLEY reviewed slide 21, "Proposed: Regulate Trade Practices." She noted that [some trade practices] are illegal in federal law but that there are ways some businesses, such as a manufacturer or wholesaler, could hold a fair amount of power over a retailer. For example, a distributor could tell a bar that it will give the bar a great discount on all the products the distributor carries if the bar agrees to not carry the products of the distributor's competitor. That is considered illegal under federal law, she continued, but these are not in state law so there is no enforcement of those practices in Alaska. This proposal would take what is already not allowed in federal law and move it into Alaska state law so AMCO could address someone who is leaning on retailers and promoting unfair trade practices.

MS. BRAWLEY next discussed the policy pieces of the bill. She displayed slide 22, "Adjust License Fees to Reflect Current ABC Budgetary Needs," and stated that enforcement is currently limited. This proposal, she explained, would update license fees so that they are fair across different license types and provide sufficient revenue to the ABC Board, which is a receipt funded agency. This would allow for enforcement, education of businesses and local governments about Title 4, and enough staff to do the administrative work. A specific need is an electronic database to allow for non-paper renewals of licenses.

MS. BRAWLEY spoke to slide 23, "Proposed: More Accountability for License Fees Allocated to Local Governments." License fees are relevant to local governments as well as to the agency, she explained. Under current statute, a portion of the fees for licenses and renewals goes back to the local government with the idea that the local government is also doing administration and

law enforcement at the local level. Language in the bill is clarification - calling it a matching allocation, not a refund.

[9:26:58 AM](#)

MS. BRAWLEY moved to slide 24, "Internet Sales: No Rules + Loopholes." She said Alaska is one of the only states with no rules for internet sales of alcohol, which means internet sales are legal, but it is unknown how much is being ordered in state. None of those sales coming from out of state are paying Alaska excise taxes and there is no enforcement. There is possible use by folks under 21 who get a parent's credit card and order online and the alcohol is shipped to the door with no questions asked. Businesses and public health folks have agreed that these rules are needed.

MS. BRAWLEY reviewed slides 25 and 26, "Proposed: Regulate Internet Alcohol Sales." Speaking to slide 25, she said the proposal is basically in line with most other states now. Alaska would have a Direct Shipment License that an in-state winery, distillery, or brewery could get or that an out-of-state manufacturer could get. This license would allow them to sell to Alaska customers. A customer would order a product online and there would be sales limits per transaction as well as per year to ensure that folks are ordering for personal use, not a bootlegging operation. The business would be responsible for checking whether the customer is age 21; making sure that the customer is within their limits for personal use; and [checking] that the customer doesn't live in a Local Option area because there is a different system for ordering in Local Option areas. It would also be regulated through common carriers such as UPS, FedEx, and airlines - it must be delivered in person, not just left on the doorstep, and the person receiving it must be of age. Licensees would be responsible for collecting excise tax on their sales to Alaska customers. Speaking to slide 26, Ms. Brawley stated that the ABC Board would maintain a list of approved carriers. These carriers must demonstrate to the ABC Board that they have policies and training for employees to ensure that they handle alcohol responsibly. The ABC Board would provide its list of approved carriers on an ongoing basis to the businesses that are selling the alcohol, thereby closing loopholes that are potentially causing issues today.

[9:30:27 AM](#)

MS. BRAWLEY moved to slide 27, "Tracking Alcohol Orders in Local Option Areas: Current Title 4." She explained that for damp

communities within Local Option areas, a system with monthly limits already exists in statute. In these communities, someone can order alcohol from a package store in, say, Anchorage. Orders are tracked via a written order database. Package stores, law enforcement, and AMCO are the only ones that have access to this database. The package store checks that the customer hasn't exceeded their limit, enters the order into the database, and then ships the products. If there are issues or illegal sales, this is where law enforcement has access.

MS. BRAWLEY discussed slide 28, "Proposed: Publish Community-Level Data from Local Option Order Database." She said the system is working as intended. However, the collected data, which could potentially be useful to communities, is not available because the database is purged every year and is just a tracking system. The bill proposes some minor changes - the data would have to be kept for ten years instead of one and there would be no publishing or release of individual order data, including the names of sellers and buyers to protect privacy. The ABC Board would publish an aggregate report by community level; for example, in 2021 X gallons of alcohol were sold [in Region A]. This would help communities pinpoint a bootlegging or illegal sales operation, especially if communities are dry but seeing a lot of alcohol. This small change would help communities and leverage the data that is already being collected while protecting privacy.

[9:32:45 AM](#)

MS. BRAWLEY continued discussing policies in the bill. She turned to slide 29, "Proposed: Revise Penalties for Lesser Offenses." She stated that currently most everything in Title 4 is a Class A misdemeanor, which means everything from serving a minor down to incorrectly posting a sign. She said the group discussed how to increase enforcement and how to make enforcement more consistent so issues like bad operators could be addressed without unduly affecting folks for minor infractions. The group looked at every violation in Title 4. Under this proposal, many of the things that are now Class A misdemeanors would become minor offenses so they can be treated like traffic tickets. There would be no changes for serious violations, especially felonies. The goal is to handle minor things through a minor offense charge, not a court appearance or a full criminal charge. The ABC Board has begun looking at this and adopting it in regulation or practice, recognizing that it is a more effective system.

MS. BRAWLEY continued to slide 30, "Proposed: Licensee Penalties for Overserving an Adult or Serving a Minor." She pointed out that this change in penalty targets the behavior and ensures that licensees are held liable. Currently in Title 4 a licensee or employee of a business that serves an intoxicated adult or serves a minor is a Class A misdemeanor, a serious issue. To attain the goal of consistent enforcement and ensuring that business keep their employees on track, the bill proposes to change the penalty for both the employee and the licensee. For the employee, it would be considered a minor offense with a \$500 fine and no court appearance; \$500 would be a significant economic impact to the employee and an incentive not to do it. The business under whose license it happens would get an administrative penalty of \$250; this lets the business know the violation occurred, holds the business accountable, and goes in the business's record. Currently when those things happen it may go in the record but the only time someone may look at it is when their license is next up for renewal. The proposal would put in an immediate time piece to ensure there is follow-up.

[9:35:45 AM](#)

SENATOR MICCICHE emphasized that the proposal would not reduce the seriousness, rather it would hold people accountable. The courts are backlogged, he pointed out, so serving a minor is not going to make it through the system. Based on records of the number that have been charged and number convicted, servers do not seem to take this seriously. While it is likely a minor proportion of operators in the state, it is thought that where it happens often, often the owner of the establishment is not aware. This proposal is a much more effective system of holding people accountable for not being a quality operator.

[9:36:42 AM](#)

MS. BRAWLEY concluded her presentation with slide 31, "Proposed: Require Keg Registration." She said this addresses a key public health priority in the bill, which is to reduce underage drinking. Alaska's alcohol laws are just one part of that, along with prevention and treatment. Already in Anchorage and Juneau municipal laws, this proposal would be applied statewide. Keg registration is an evidence-based practice to reduce underage drinking and to close the accountability loophole for adults who legally purchase alcohol and then illegally provide it to minors. Under this proposal, when a licensee sells a keg to an adult purchaser, a legal transaction, a tag would be affixed to the keg with the purchaser's name to record that it

was legally sold. Then, if that keg ends up at a party with responsible adults and there are no issues, the tag can be removed when the keg is returned to the store. But, if the keg ends up at a party with underage drinkers and the police show up, the tag will tell who bought that alcohol. Anybody removing the tag can be held liable for that. This proposal would close enforcement loopholes and ensure that adults providing alcohol to minors are penalized.

[9:38:36 AM](#)

CO-CHAIR FIELDS opened invited testimony on CSSB 9(FIN).

[9:38:48 AM](#)

SARAH OATES, CEO/President, Alaska Cabaret, Hotel, Restaurant and Retailers Association (Alaska CHARR), provided invited testimony in support of CSSB 9(FIN). She noted that Alaska CHARR is a nonprofit trade association for the hospitality industry and represents over 800 businesses statewide. She related that this is the eleventh year of robust stakeholder work toward meaningful sensible alcohol regulatory reform in which she has been involved since the beginning. Through challenging yet thoughtful compromise, consensus on a complete draft was reached in 2019 between public health, public safety, state and municipal regulatory bodies, and the three tiers of the industry.

MS. OATES implored the committee to pass this vital legislation that captures this delicate compromise which took so many years to reach. It will provide long term regulatory certainty and desperately needed financial stability for the industry, she continued. Liquor licensees have suffered devastating blows over these past two years of COVID-19 pandemic. This constituency represents \$2 billion of annual revenue into Alaska and over 32,000 employees. In 2020, this industry statewide experienced average revenue losses of 75 percent and only had 47 percent of its regular employee count working, and significant losses and hardship continue today. Many changes are included in the bill that would benefit all sectors and stakeholders and which give the industry hope that it can overcome ongoing challenges and a better regulatory system.

[9:40:49 AM](#)

TIFFANY HALL, Executive Director, Recover Alaska, provided invited testimony in support of CSSB 9(FIN). She noted that her

statewide organization is made up of health, safety, and prevention leaders and works to reduce excessive alcohol use and harm across the state. She said Recover Alaska has been working on the contents of the bill for many years together with public health and safety proponents, members of the industry at every level, and local, municipal, and community leaders. Recover Alaska is not an abstinence-only organization, she related, but Alaska struggles with many problems associated with alcohol. Alaskans are dying at a rate twice as high as the national average. Alcohol costs Alaska \$2.4 billion every year. In 2020 the leading cause of visitation to the emergency department was alcohol related disorders for adults 18-64.

MS. HALL submitted that SB 9 is full of positive policy changes which will help to change some of these statistics over time. It would create a regulation system for internet sales, which will mean taxes coming into the state and requiring an ID check instead of leaving boxes of alcohol on a doorstep. The bill would restructure enforcement and add licensee and social host liability, both of which are best practices proven to reduce motor vehicle fatalities and reduce underage drinking. The bill would close the loophole on server education, making sure everyone who serves alcohol has undergone a safety training. The bill would regulate alcohol outlets, one of the most effective strategies for reducing excessive consumption and related harms. Also, the bill would increase license fees to give AMCO more resources to do things like education and underage compliance checks.

MS. HALL pointed out that alcohol is not an ordinary commodity. No other product comes with a multi-billion-dollar price tag to Alaska, she continued. A whole title is required to regulate alcohol and SB 9 keeps intact many ways to protect and promote business while also keeping in mind the necessary health and safety regulations. Recover Alaska worked long and hard over the years with more than 120 stakeholders representing various sectors, issues, and regions of the state. Stakeholders argued, listened, and worked together to find solutions, and this bill overall will be a huge win for the state of Alaska.

[9:43:36 AM](#)

GLEN KLINKHART, Director, Alcohol and Marijuana Control Office (AMCO), provided invited testimony in support of CSSB 9(FIN). He said his bosses on the Alcoholic Beverage Board have supported this Title 4 rewrite since its first inception in 2016 and is again doing so this year. The board has struggled over

the years, he explained, because the board's actions are directed by statutes that are 20-30 years old and not updated. The board sees the frustrations from law enforcement, folks like Recover Alaska, and from the industry to be able to have other options.

MR. KLINKHART related that he was a law enforcement officer for almost 25 years. When he came to AMCO, he was surprised to learn how old the statutes were and that they pretty much only give enforcement officers "a hammer." When a cop is given a hammer, he explained, everything is a nail, and that is not the best way to be able to do business. This Title 4 rewrite would give law enforcement officers the opportunity to look at certain circumstances and be able to have the correct discipline to change and correct actions. For repeat offenders, law enforcement would then have ways to be able to show that, find that, and correct them up to and including taking their license.

[9:45:51 AM](#)

REPRESENTATIVE NELSON drew attention to slide 25 and online sales limits. He asked what is in place currently to prevent someone from ordering the limit on one web site and then ordering the limit on another web site.

MS. BRAWLEY replied that nothing is currently in place in Alaska for Alaska customers, so this can be done today. The bill does not propose to regulate a customer's total order limits like it does for Local Option areas, so it would not restrict a consumer from doing that. The limit would be per vendor. It is limited to breweries, wineries, and distilleries, so it would not hamper the ability of, say, a whiskey collector, to get those types of products. However, she continued, shipping costs to Alaska are high, so the practical limit on someone amassing a fair amount of alcohol through that system is going to be limited.

REPRESENTATIVE NELSON, regarding delivery and verifying that someone is over 21, asked whether verification would fall on the shipping company itself or on the delivery driver. He further inquired about who it would fall on if charges were brought up for delivering to a minor.

MS. BRAWLEY responded that most of that responsibility would be on the shipper, meaning the seller, so the seller wouldn't legally be able to complete that sale. Most companies that do this for other states, she related, already have an online ID verification system; so, they are used to doing that and the

liability would be on them. For example, they could lose their license if there is a pattern of this happening. Once the alcohol is in the carrier's custody, it is the carrier's responsibility to check ID. The carrier is assuming that the sale was legal and that is not the carrier's responsibility to determine, but the carrier is responsible for where it ends up.

SENATOR MICCICHE pointed out that entities like the ABC Board understand the intent of what is written in statute and will put the specifics in the regulations to eliminate any ambiguity. A regulation package for this bill will have to happen, so the board is looking at that right now in hopes the bill will pass. The statute doesn't cover every tiny aspect about how it will hit the road operationally. "We" will be working with the board on final regulations as well.

[9:49:23 AM](#)

CO-CHAIR FIELDS commented that it is self-evident why this bill is positive for public health and good for newer models like breweries and distilleries. He asked how the bill would help bar owners.

MS. OATES answered that many things in the bill help the entire industry. Specific to bars, part of this compromise would be some bumpers put on what manufacturing retail licenses can do. It would set a hard close time for manufacturing retail licenses whereas currently there is no hard close time, just a stop service time. It would provide for limitations on the number of that specific type of license that can be purchased but would allow for additional opportunities for manufacturers to purchase full retail licenses if they want additional privileges like staying open later, providing more entertainment, serving a full bar, and other things. Currently, a manufacturer isn't allowed to purchase a beverage dispensary license and vice versa, so there are loopholes where some establishments have taken some backdoor channels. But the current bill would provide for additional entrepreneurship and opportunities for businesses, create a more level playing field. The bill also would create actual enforcement. Current law has penalties of misdemeanors for everything at the minimum and this would create true violations that would be like speeding tickets. The lack of enforcement on some things is concerning for industry when bad operators are seen and there isn't punishment happening because the penalties are too strict and so they are not being enforced. Most importantly the bill would streamline processes, including enabling an online application system. The current paper-based

licensing process is cumbersome, challenging for staff, and challenging for the industry to navigate. Many Alaska CHARR constituents have spent tens or hundreds of thousands of dollars on attorney fees trying to navigate this very complicated system to get their application through and trying to understand the laws. The bill would help reduce their cost, help shorten time periods so people can enter and participate in commerce, bring money into the state, and give more funding for AMCO so that AMCO could do more proactive education for the industry rather than educating solely through enforcement which is what is largely taking place right now.

[9:53:34 AM](#)

LEE ELLIS, President, Brewers Guild of Alaska, provided invited testimony in support of CSSB 9(FIN). He stated that since Title 4 was rewritten in the 1980s it has been an evolution of patchwork legislation, statute, and regulations to bring the industry up to modern standards. This bill furthers that mission and helps to bring the craft brewing industry up to par with the other entities in the alcohol industry in Alaska. Many parts of the bill took hard work to see modernization for the [craft brewing] industry and it continues to be a local growing industry in Alaska. Currently the [craft brewing industry] provides about \$330 million of economic impact and employs over 2,000 people across Alaska. That number is expected to continue to grow, and SB 9 is critical in this regard, especially given the recent difficulties with COVID-19 and loss of tourism.

[9:55:00 AM](#)

REPRESENTATIVE KAUFMAN commented that through the 11 years of work by many stakeholder groups, SB 9 is essentially a foundational reset of a hodgepodge of accrued requirements, and he is interested in hearing more.

SENATOR MICCICHE responded that if this were the oil and gas industry, there would be major violations and citations due to the interaction of the backward and confusing statutory support. While the bill isn't very concise, it is a delicate balance. Things have been discussed by the hundreds of stakeholders for hours and years to get to this point, so it is not a little change [when a legislator brings forth an amendment]. All those stakeholders have agreed on the balance in this bill. It is an important piece of legislation, and it is a reset, and it does capture the way the industry is operating today.

[9:57:25 AM](#)

CO-CHAIR FIELDS asked how the state fair would be supported here without inadvertently creating a loophole that would result in lots of fairs around the state that evade all the other permits and endorsements.

SENATOR MICCICHE answered that it is thought there is a good balance. Stakeholders support the fair and are working together on an agreement with the fair. He confirmed that if the bill were to pass the way it is currently written, he could do a "Peter's Liquor Fair" every night this summer. So, he continued, the hope is that stakeholders can come together on a better agreement than what is currently in the bill, an agreement that allows the fair to operate the way it has been operating without opening a faucet of irresponsible festival activity throughout the state on a nightly basis.

[CSSB 9(FIN) was held over.]

[9:59:27 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 9:59 a.m.