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SENATE FINANCE COMMITTEE REPORT

DATE: 3/22/90

FURTHER:

DATE TURNED INTO OFFICE: 3/20/90

The Finance Committee considered

SB 455

"An Act prohibiting advertising to promote the use or sale of alcoholic beverages on the satellite television project."

and recommended:

replace with _____ CS SB 455 (Fin)
 or adopt _____ CS _____
 attached amendment(s)
 _____ letter of intent adopted

same title
 new title
 technical title change (HB only)

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

ATTACHES NEW FISCAL NOTE(S):

fiscal note(s) _____ Dept/Date: _____

zero fiscal note(s) _____
SFC/DOR 3/20/90

appropriation-no fiscal note

APPROVES PREVIOUS:

fiscal note(s) _____ Dept/Date: _____

zero fiscal note(s) _____

SIGNING DO PASS:

[Signature]
[Signature]
[Signature]

OTHER RECOMMENDATIONS:

[Signature] - NO REC
[Signature] - NO REC

1. [Signature] DO PASS

2. [Signature] CO CHAIR

Co-Chairs' Signatures and Recommendations

(NO REC)

FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: Prohibiting Alcohol
Advertising on RATNet
 Sponsor: Senator Binkley
 Requestor: _____

Agency Affected: Dept of Administration
 BRU: Information Services
 Components: RATNet

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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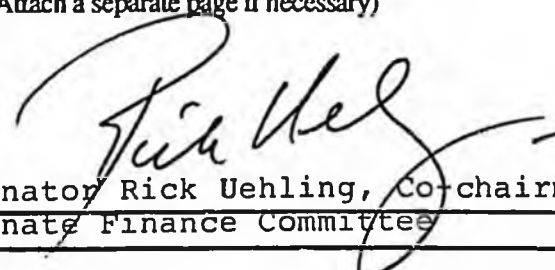
FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS : (Attach a separate page if necessary)



Prepared by: Senator Rick Uehling, Co-chairman Phone: 465-4821
 Division: Senate Finance Committee Date: 3/26/90

Approved by Commissioner: _____ Date: _____
 Agency: _____

Distribution (by preparer) :

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Original sponsor(s): SEN. BINKLEY

IN THE SENATE

BY THE FINANCE COMMITTEE

CS FOR SENATE BILL NO. 455 (Finance)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act prohibiting advertising to promote the use or sale of alcoholic beverages on the satellite television project; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. AS 44.21.320(c) is amended to read:

(c) Except as provided in (g) of this section, decisions [DECISIONS] and policies relating to programming under the satellite television project, including scheduling and allocation policies, may not be made by the department, but may only be made by a network that is representative of participating rural television users, by commercial broadcast users, or by other affected participating user groups and entities under procedures provided by statute or, if no statute applies, then by agreement of the affected user networks or groups. The department shall assist users in preparing agreements that may be required under this subsection.

* Sec. 2. AS 44.21.320 is amended by adding a new subsection to read:

(g) The satellite television project may not broadcast, or accept for broadcast programming that includes, advertising that promotes the use or sale of alcoholic beverages.

* Sec. 3. This Act takes effect April 15, 1991.

Effective date added by SFC.

Senator Johne Binkley


Senate Finance Committee
P.O. Box V • Juneau, Alaska 99811 • (907) 465-4985

Finance Committee
Co-Chairman

MEMORANDUM

March 26, 1990

TO: Senator Rick Uehling, Co-Chairman
Senator Finance Committee

FROM: Senator Johne Binkley 

RE: SB 455, prohibiting alcohol advertising on RATNet

Thank you for scheduling the above-referenced bill. Under current law, the RATNet Council is the sole decision maker as to what programs will be broadcast on the state's network. SB 455 amends the statutes to state that the Council may not broadcast nor accept for broadcast any programming which contains advertising promoting the use or sale of alcoholic beverages. I do not feel it is appropriate for the state to subsidize these kinds of commercials when on the other hand, we spend hundreds of millions of dollars to combat the effects of alcohol abuse.

The Division of Information Services has prepared a \$1.88 million fiscal note for this bill. I disagree with that note as it does not accurately reflect this bill. According to the analysis, the money would be used by the state to purchase syndicated programming which would take the place of network programming that may be lost because of the ban on alcohol advertising. This is not my intent to have the state make these purchases. The way the scheduling system works is that the network affiliates, PBS, the University of Alaska and the Department of Education bring before the Council programs that each is willing to have broadcast on RATNet. It is my intent that instead of choosing programs that the Council knows has alcohol ads, they will simply choose others that they can be reasonably assured will not contain those commercials. Therefore, I believe the fiscal note should be zero.

I've enclosed for the committee members' files copies of RATNet schedules and a memo prepared for my office by the Legislative Research Agency on this issue.

Alaska State Legislature

Legislative Research Agency



P.O. Box Y
Juneau, AK 99811-3100
Phone: (907) 463-3991
Fax: (907) 463-3351

January 8, 1989

MEMORANDUM

TO: Senator John Binkley

ATTN: Janice Adair

FROM: Sheila F. Helgath *SHH*
Legislative Analyst

RE: Alcohol Advertising on RATNET
Research Request 90.052

You requested this agency to investigate the possibility of removing alcohol advertisements from programming broadcast by Rural Alaska Television Network (RATNET). Also you requested that a House Research Agency memorandum to Representative Clocksin on liquor advertising be updated. Finally, you wanted to know the arguments that are made for and against alcohol advertising.

Three arguments have been advanced by RATNET staff and representatives of local television stations (network affiliates) against the removal of alcohol advertising from RATNET: (1) a contract between the state of Alaska and the networks and separate contracts between affiliates and the networks prohibit removal; (2) Alaska state law and Federal Communications Commission (FCC) regulations prohibit removal of advertising in programming; and (3) the technical feasibility of removing all the advertisements would make the costs prohibitive. Each argument is discussed below. They may be surmountable if the state of Alaska desires to remove alcohol advertising from RATNET.

RATNET BROADCAST TECHNOLOGY AND THE "CONTRACTS"

RATNET staff and network affiliates say that two sets of contracts exist which prohibit the removal of advertising from RATNET programming. The first is a verbal agreement between the state of Alaska, the affiliates and the networks. The second is a set of operating agreements between the affiliates and the networks. The origin of these contracts and changes in technology and corporate structure affecting them are explained below.

RATNET is the state-subsidized television system which transmits programs to areas of Alaska that do not receive commercial television. Programs are obtained from the networks (ABC, CBS, and NBC) through their local affiliates (stations) in Anchorage. At present, programs are transmitted from the networks' television satellite to the RATNET center located in Anchorage. These transmissions are redirected to receivers in rural Alaska.

Satellite transmissions did not exist in 1977 when the of Alaska agreed to buy tapes of network news programs and some sporting events. These tapes were then broadcast in urban areas by the affiliate network stations and in rural Alaska by RATNET. In return, the networks gave other programming free of charge to the of Alaska for use on the RATNET system. There was a "gentlemen's agreement" that the would accept the programming from beginning to end, or "credit to credit", including the advertising. This verbal agreement was reached in 1977 among state personnel, representatives of local affiliates and representatives of the networks at a meeting in New York.

I have made repeated requests for copies of any written material which would confirm that a verbal agreement existed. Staff of neither RATNET or the affiliates were able to provide written documentation. However, both RATNET and affiliate staff affirm that a "gentleman's agreement" existed that bound the state to use programming "credit to credit." After 1984, when direct satellite transmission became available to the affiliates, it was no longer necessary to use and therefore purchase tapes. The continuing validity of this verbal agreement, with the passage of time and many changes in technology since it was made, should be carefully analyzed by legal staff.

The other set of contracts that may inhibit the affiliates' cooperation in the removal of alcohol advertisements is between the affiliates and the networks. The affiliates argue that in their contracts with the networks they have agreed to protect the programs from credit to credit, including advertising. Recent corporate changes at the networks have given the affiliates greater freedom to control programming. According to a New York-based network executive, who requested anonymity, the affiliates have considerable latitude in this area. Because these are contracts between private parties, copies of the contracts were not made available to verify these assertions.

RATNET officials and affiliate management also argue that "common practices exist in broadcasting" which prohibit using part of a program without presenting all of the program including advertising. Some of the broadcasters at the Anchorage stations implied that if the advertising were removed, the networks might be inclined to revoke permission for the to use any of their programming. I was unable to obtain written documentation that the networks would respond in this manner or to otherwise verify this possibility.

ALASKA LAW AND FCC REGULATIONS

Alaska State Statutes and Federal Communication Commission Regulations have been advanced as reasons why the state can not prohibit alcohol advertising on RATNET.

Senator John Binkley
January 8, 1990
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I have asked the above parties to identify the regulation, but no one can cite the reference. Louise Stewart, Public Affairs Specialist for the FCC in Anchorage, said that FCC regulations would not prohibit the state of Alaska from removing liquor advertisements. The FCC considers what happens to programming to be a transaction between "private parties"--in other words it is an unregulated agreement between the state of Alaska, the affiliates and the networks. I also spoke with staff in Senator Glenn's office. Senator Glenn is chair of the Governmental Affairs Committee which has oversight of the FCC. It was their opinion that there is nothing in the FCC law that prevents the state from removing alcohol advertising.

TECHNICAL FEASIBILITY AND COST

The final case against removing liquor advertising from RATNET is the technical difficulty and expense of doing so.

Technically, there are two ways to eliminate alcohol advertising from RATNET. The most expensive means is to "tape delay" the programming. The station would tape all the programs coming off the satellite and then edit it and remove alcohol advertisements. It is the most effective way to insure all of the targeted advertising is removed. RATNET staff object to this approach because they are trying to bring current programming, such as live football and news telecasts, to rural residents.

*no news
telecasts
would have
alcohol ads.*

The other way to remove the advertising is to have an engineer at the RATNET Alaska receiving station remove the advertisements as they are being transmitted from the satellite to the other stations. RATNET staff object to this approach because it would leave gaps in the programming which would be difficult and expensive to fill. RATNET officials say it would be difficult to toggle 100 percent of the advertisements since they do not know when alcohol advertisements will come through in the programming. Nancy Long, Production Manager for KTOO, offered this suggestion. RATNET staff could target evenings, weekends, and sports events. This method would require additional equipment such as a tape machine, time base corrector, and switches, costing about \$100,000 and an engineer to toggle the switches and put the replacement tapes on the air. RATNET memoranda state that it would require five AV Technicians I and two editing bays for a cost of \$255,440 the first year (see attached memorandum). Selective targeting of weekend sports and evening programming might reduce these costs and get the majority of the advertisements out of the programs.

Other technical and cost reduction possibilities exist and could be explored. Senator Glenn's staff told of a barcoding mechanism which would warn the receivers ahead of time when alcohol advertisements were being transmitted. Beer marketing executives said they had mechanisms (used to test the effectiveness of commercials) which selectively send and receive

Senator John Binkley
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Alaska Statutes

John Morrone, Deputy Director for the Division of Telecommunications, stated that Alaska law would prevent removal of advertising from RATNET, even if there were no contract obligations, unless the RATNET Council agrees. He referred to AS 44.21.320 (c) and (d) which state:

(c) Decisions and policies relating to programming under the satellite television project, including scheduling and allocation policies, may not be made by the department, but may only be made by a network that is representative of participating rural television users, by commercial broadcast users or by other affected participating user groups and entities under procedures provided by statute or, if no statute applies, then by agreement of the affected user networks or groups. The department shall assist users in preparing agreements that may be required under this subsection.

(d) The department may not engage in any activity which interferes with a contract or program right relating to commercial television programming, including but not limited to any right protected by copyright.

According to Mr. Morrone, Subsection (c) means that only the RATNET Council has the authority to control programming subject to any agreements that have been made with affected networks or groups. The issue of removing alcohol advertisements was brought before the RATNET Council on February 19, 1988. The council heard from Mr. Morrone who presented the three arguments stated earlier in this memorandum against removal of advertisements. No action was taken by the council. However, attorneys at both the Attorney General's Office and Legislative Legal Services have indicated that the legislature could specifically direct the RATNET Council to prohibit alcohol advertising with a simple amendment to this subsection.

Subsection (c) refers to contracts and program rights which have the potential to affect removal of alcohol advertisements. As suggested earlier, the validity of a twelve-year-old verbal agreement may be questionable. Similarly subsection (d) hinges on whether a valid contract between the state and network exists and what is implied in programming rights. Legislative Legal Services might be requested for an opinion on the validity of the verbal contract and how subsection (d) relates.

Federal Communication Commission (FCC) Regulations

Transmissions across state boundaries are regulated ^{by} FCC. Several of the broadcast affiliates, RATNET personnel, and House Research memoranda have asserted that FCC regulations exist which prohibit removal of advertisements.

advertisements. These are some of the technological possibilities available to RATNET staff to remove the majority of alcohol advertisements from programming. Federal grant money might be used to reduce the cost of alternative programming. The Center for Science in the Public Interest has identified federal funding for anti-drinking public service announcements that target minority groups. RATNET or another entity in the state might be able to use grant funds to produce public service announcements. Use of federal grant money would lower the cost of filling the gaps left by eliminating alcohol advertisements.

PRO ALCOHOL ADVERTISING POSITIONS

The primary lobbying position of the alcohol industry is that it self-regulates its advertising and therefore government should not. The spirits industry allows coolers (6% or less alcohol in content) and beer to be advertised in the broadcast media. The industry is very concerned about any legislation that might set a precedent. Therefore they oppose limiting alcohol advertising in areas that are "dry" such as rural Alaska.¹ Industry spokesmen claim that there is no scientific evidence showing that advertising promotes drinking to "excess." It is their claim that they are advertising only for a market share of people who already drink.

The industry maintains that controlling advertising violates free speech. The industry has aggressively challenged attempts to control limitations on free speech through court challenges. Attached is the "briefing book" obtained from the Anheuser Busch lobbyist which documents the industry positions and includes a list of the court cases that have been favorable to its position. The state of Alaska could expect a court challenge by the industry to any efforts to remove advertising. Issues in such a challenge might include the following: Is the removal of advertisements from a state subsidized television broadcast an inhibition of an individual's right to free speech or control of commercial speech? Does the state's right to protect the welfare and health of its citizenry counterbalance the free speech issue? Does the local options law which allows communities to control the sale and possession of alcohol affect this issue?

ANTI-ALCOHOL ADVERTISING PERSPECTIVE

Those who oppose any form of alcohol advertising on television believe that alcohol advertising is targeted at non-drinkers, light drinkers, ethnic

¹The Beer Institute is the lobbying group that represents the pro-alcohol advertising stance. I was directed by institute staff to contact the Anheuser Busch company which is the largest beer advertiser.

Senator John Binkley
January 8, 1990
Page 6

minorities, women and youth. Those targeted have traditionally had low per capita consumption. The Center for Science in the Public Interest (CSPI) has written a short but pointed book titled The Booze Merchants: The Inebriating of America which details the advertising strategies of the alcohol industry². Excerpts from this book are attached. The authors stress the use of marketing which promotes the use of alcohol to obtain a glamorous lifestyle. Researchers identify patterns of values, norms, and behaviors in a sub-group of the population which marketing specialists then tie to their product through advertising. For example, if a young person wanted to be successful with friends and the opposite sex, the car or a beverage being sold is associated with a party.

Other alcohol advertisements encourage people who already drink to drink on a daily basis and at times other than the "normal" times such as weekends, parties, or special events. These advertisements are designed to encourage people to drink every day and promote the idea that alcohol beverages are like soft drinks, fruit juice and similar beverages. The Booze Merchant authors also pointedly suggest that advertisements are targeted at heavy drinkers to convince them to continue drinking. If heavy drinking were eliminated, a 40% drop in sales would occur. In short, CSPI refutes the claims made by the industry that advertising is for a market share. CSPI asserts that alcohol advertising is for market expansion.

The free speech arguments seem the least troubling to anti-alcohol advertising advocates. A precedent has been set nationally with the removal of cigarette advertisements from broadcast media. CSPI staff suggested that the argument about free speech might be countered with an argument for the state's right to protect the health and safety of the public. Further they argue that two recent Supreme Court Cases clearly delineate the right to control commercial speech versus the right of individual speech. These cases are Posadas de Puerto Rico Association vs. Tourism Company Puerto Rico 478 US 328 1986 and Board of Trustees of University vs. Fox 57 USLW 5015 (June 29, 1989)³.

²The Center for Science in the Public Interest is the lead lobbying group nationally against alcohol advertising. CSPI is a non-profit health advocacy group with ties to the American Medical Association, National Council on Alcoholism, the National Parent Teachers Association, the American Academy of Pediatrics and others.

³Legislative Research Agency is in the process of obtaining an analysis of these two cases.

Senator, John Binkley
January 8, 1990
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SUGGESTIONS FOR FURTHER ACTION

Arguments advanced against the legality and practicality of removing liquor advertisements, although forcefully made, may not be definitive in the opinion of some knowledgeable people with whom I spoke.

If further investigation of this matter is pursued, it might include:

- . legal research into the nature of contractual agreements between the of Alaska and the networks, and between the networks and affiliates;
- . legal interpretation and possible amendment to AS 44.21.320;
- . analysis of the fiscal impact on RATNET of editing transmissions.

PERSONAL COMMUNICATIONS

Bramstedt Jr., Al, Channel 2 Anchorage Broadcaster, Telephone Conversation September 9, 1989.

Hiebert, Augie, Channel 11 Anchorage Broadcaster, Telephone Conversation, September 9, 1989.

Cramer, Terry, Legal Services Lawyer, Legislative Affairs Agency, Telephone Conversation, December 26, 1989.

Lauber, Richard, Lobbyist, Anheuser Busch Inc., Interview and Telephone Conversations, September-December, 1989.

Long, Nancy, KTOO Production Manager, Telephone Conversation, September 1989.

Morrone, John, Deputy Director Division of Telecommunications, Interview about RATNET on September 9, 1989.

Randelett, B. J., Channel 13 Anchorage Broadcaster, Telephone Conversation September 12, 1989.

Stewart, Louise, Public Affairs Specialist, Federal Communications Commission, September 9, 1989.

Taylor, Pat, Director, Alcohol Policies Project, Center For Science in the Public Interest, Telephone Conversations, September-December, 1989.

Wagner, Tom, Assistant Attorney General, Alaska Attorney General's Office, Telephone Conversation, December 26, 1989.

ISSUE STATEMENT
SB 455
Division of Information Services
Department of Administration
March 21, 1990

SB 455 prohibits the Satellite Television Project, known as the Rural Alaska Television Network (RATNet), from broadcasting programs which include advertising that promotes the use or sale of alcoholic beverages. If the bill is enacted, programming that includes alcohol advertising may not be broadcast on RATNet.

Issues raised by this proposed legislation include:

- Enactment of SB 455 could jeopardize the current method of acquiring and distributing programming from network affiliated stations to rural Alaskan communities. Potentially, this could affect as much as 66% of the programming currently aired. Schedules of programs sponsored by the alcoholic beverage industry cannot be created in advance, since local broadcasters do not know who the national sponsors are until a day or two before air time, and often not even then.

- Dismantling the current programming distribution method could limit programming choices currently available, impact the current selection process and possibly dilute the ability of the RATNet Council to choose programming that is desired by the rural viewers.

- Nationally, many groups such as Mothers Against Drunk Drivers are lobbying Congress to address this issue. Although the final outcome is yet to be known, lobbying efforts on similar issues, such as eliminating hard alcohol and cigarette advertising on television, have met with success. Perhaps the final, long-term solution for eliminating alcohol ads will be the result of Congressional action.

- Changing the method of choosing and acquiring programs to be aired on RATNet could create a period of adjustment for viewers who have become accustomed to network programs since 1971. A transition period could develop while the RATNet Council attempts to select and schedule alternative programs to viewer satisfaction. This would probably require more Council meetings than the one a year for which current funds provide, as noted in the attached fiscal note.

ISSUE DISCUSSION

Informal reviews of programming and advertising during February, 1990 indicate that much of the programming between 7:00 p.m. and 1:30 a.m.,

Monday through Friday, and 10:00 a.m. through 1:30 a.m., Saturday and Sunday, carries alcohol advertising. **In addition, an alcohol disclaimer is aired three to four times each day.** Because it is not possible to identify in advance which programs will be sponsored by the alcohol industry, there is no mechanism to select or reject programs based upon sponsorship.

This review has led to the following findings: 1) most sports and prime-time programming will be lost because there is no way to identify programs containing alcohol advertising; 2) programs such as national and statewide news, along with the Alaska weather report, (typically aired between 5:00 and 7:00 p.m. each week night), carry no alcohol ads; 3) if the current method of distributing programming is changed by SB 455, RATNet would likely be limited to programs that must be acquired from syndicated sources, rather than from the major networks, and 4) live sports programs are very popular with RATNet viewers; should SB 455 become law, it would be difficult to preserve those live programs since many of them are sponsored by alcohol beverage companies.

Programs purchased from syndicates are estimated at \$600.00 per hour. As noted in the fiscal note analysis, a new position would be necessary to handle the increased program acquisition duties, such as locating programs and coordinating purchases.

FISCAL NOTE

REQUEST:

Revision Date: April 30, 1990
Title: Prohibiting alcohol
advertising on RATNET
Sponsor: Senator Binkley
Requestor: _____

Agency Affected: Administration
BRU: Information Services
Components: RATNET

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS : (Attach a separate page if necessary)

Funding for travel and negotiation with network executives will come from RATNET budget.

Prepared by: Gary M. Bader
Division: Commissioner's Office

Phone: 465-2200
Date: 4/30/90

Approved by Commissioner: Frank S. Baxter
Agency: Administration

Date: 4/30/90

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

5/1/90 HFL

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Prohibiting Alcohol Advertising
on RATNet
Sponsor: Senator Binklev
Requestor: _____

Agency Affected: Administration
BRU: Information Services
Components: RATNet

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES	194.44	205.17	215.43	226.20	237.60	249.39
TRAVEL	8.37	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	60.0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	263.81	205.17	215.43	226.20	237.60	249.39

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	263.81	205.17	215.43	226.20	237.50	249.39
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	263.81	205.17	215.43	226.20	237.50	249.39

POSITIONS:

FULL-TIME	5	5	5	5	5	5
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS : (Attach a separate page if necessary)

See attached

Prepared by: Paul Monette, Director *J. Valenzuela* Phone: 465-2220
Division: Information Services Date: 04/26/90

Approved by Commissioner: Frank S. Baxter *Frank S. Baxter* Date: 04/26/90
Agency: Administration

Distribution (by preparer):

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

Department of Administration (DOA)
Division of Information Services

SB 455 - - FISCAL NOTE
(House CS For CS For SB 455 (HSS))

Prohibiting Alcohol Ads on TVP (RATNet)

In light of the Department's role mandated by this bill in the negotiations between the networks, the local affiliates, and the State, the fiscal impact must be considered. The plan would be to conduct the early stages of negotiations by teleconference. If teleconference negotiations are unsuccessful a team would be established consisting of the State (2) persons, the broadcasters (3) persons, and the RATNet council (2) persons. This team would require travel expenses for the council representatives to Anchorage and expenses for a seven day trip by the team to New York for negotiations with the networks.

Travel for two council members to Anchorage	2,000.00
Travel for seven to NYC	5,320.00
Expenses	<u>1,050.00</u>
Subtotal	\$ 8,370.00

If negotiations are successful then additional personnel and editing equipment would be required. The suggestion has been made that there are other ways of accomplishing the editing and we would be willing to explore other methods. However, the Department can not ensure all advertisements for alcoholic beverages are removed without taping every program for review and editing before broadcasting on RATNet. While that process will preclude any live broadcasts it the only guarantee no alcohol related advertisements are transmitted. The only certain method to produce the desired result is to add personnel and equipment.

Five AV Technicians I @ \$39,088.13 ea.	\$ 195,440.65
Two editing bays @ \$ 30,000 ea.	<u>60,000.00</u>
Subtotal	\$ 255,440.65

TOTAL \$ 263,810.65

FISCAL NOTE

REQUEST:

Revision Date: March 20, 1990
 Title: Prohibiting Alcohol Advertising on RATNet
 Sponsor: Senator Binkley
 Requestor: _____
 Agency Affected: Administration
 BRU: Information Services
 Components: RATNet

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY91	FY92	FY93	FY94	FY95	FY96
PERSONAL SERVICES	45.1	46.6	48.0	49.6	51.3	53.0
TRAVEL	12.0	12.0	12.0	12.0	12.0	12.0
CONTRACTUAL	1825.2	1825.2	1825.2	1825.2	1825.2	1825.2
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	1882.3	1883.8	1885.2	1886.8	1888.5	1890.2

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	1882.3	1883.8	1885.2	1886.8	1888.5	1890.2
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	1882.3	1883.8	1885.2	1886.8	1888.5	1890.2

POSITIONS:

FULL-TIME	1	1	1	1	1	1
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS : (Attach a separate page if necessary)

See analysis attached:

Prepared by: Paul Monette, Director Phone: 465-2220
 Division: Information Services Date: 3/20/90
 Approved by Commissioner: Frank S. Baxter Date: 3/20/90
 Agency: Administration

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

SB 455 -- Fiscal Note

SB 455 is not expected to have any fiscal impact during FY 90. Starting in FY 91, however, and for each succeeding fiscal year, the bill's fiscal impact would be substantial, at approximately \$1,882,300 per year.

The major component of the impact after FY 90 would be the cost of replacing sports and evening entertainment programming that currently is obtained free, with programming purchased from syndicated sources. Purchase of the programming would be necessary because a major requirement of the free programming currently obtained from network affiliates is that it is transmitted in its entirety from start to finish, with no deletion of information (including commercials) within the program.

The cost of purchasing the programming is estimated at roughly \$1,825,200 annually. This figure is based on an informal review of RATNet programming for the month of February 1990, which showed that an average of approximately 5.5 hours per night of weekday programming, and an average of 15.5 hours per day of weekend programming, carried alcohol advertising. At an estimated purchase price of \$600 per hour for syndicated commercial programming, the calculation of total annual purchase costs is as follows:

Weekday:	5.5 hours x 5 days x \$600/hr.=	\$16,500
Weekend:	15.5 hours x 2 days x \$600/hr.=	<u>\$18,600</u>
	Estimated Weekly Cost=	\$35,100
	Estimated Annual Cost=	\$1,825,200

In addition to these purchase costs, there also would be the personnel cost of one new position that would be required at the Anchorage Tape Delay Center to coordinate the identification and purchasing of this programming. The total personnel cost of such a project assistant, at a Range 16A salary level, would be approximately \$45.1 thousand first year cost.

One additional RATNet Council meeting would be required since the potential for major programming issues will impact its Council's decision process. In addition to network offerings, the Council will select programs from a wide variety of syndicators. The additional volume of programming decisions will require at least one additional Council meeting each year.

Total annual costs:	RATNet Council Meeting	12.0
	Personal Services	45.1
	Contractual	<u>1,825.2</u>
		1,882.3