

SB

128

HAFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: CSSB 128(FIN)
 (S) Publish Date: 4/24/03

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title Common Carrier Liquor License BRU Alcoholic Beverage Control Board
 Component Alcoholic Beverage Control Board
 Sponsor Senator Cowdery
 Requester Senate Finance Committee Component No. 100

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()	(18.0)	(2.0)	(18.0)	(2.0)	(18.0)	(2.0)
-------------------------------	---------------	--------------	---------------	--------------	---------------	--------------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
Fees with proposed legislation:						
Current fees:						
Change in Revenues:						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2003) cost: 0.0
 Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Liquor licenses currently are issued for two years, renewable in either an even or an odd year. This legislation would allow multiple license holders the option of renewing all of their licenses on the same two-year cycle.

This legislation also would amend the fee structure for common carriers, such as airlines, that hold multiple liquor licenses. At present, Alaska Airlines would be the largest license holder affected by this legislation. The company currently has 110 liquor licenses at \$700 per two-year license (under the existing fee structure). This legislation would change the requirement of licensing each airplane to licensing each Alaska destination served by the airline. Therefore, the savings to Alaska Airlines (and loss to the state) is based on the number of Alaska destinations (19 X \$2,000 for a two-year license) instead of the existing per-aircraft license fee structure. This would save Alaska Airlines approximately \$39,000 every two years.

This legislation also would raise the license fee for all other common carriers from \$700 to \$1,000 per license for each biennial period. Therefore, the net loss to the state in license revenue would average about \$10,000 per year.

Prepared by: Dawn Holland-Williams Phone 269-0359
 Division: Alcoholic Beverage Control Board Date/Time 4/22/03 2:39 PM
 Approved by: Larry Persily, Deputy Commissioner Date 4/22/2003
 Agency: Department of Revenue

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: CSSB 128(FIN)
 (S) Publish Date: 4/24/03

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title Common Carrier Liquor License BRU Alcoholic Beverage Control Board
 Component Alcoholic Beverage Control Board
 Sponsor Senator Cowdery
 Requester Senate Finance Committee Component No. 100

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()	(18.0)	(2.0)	(18.0)	(2.0)	(18.0)	(2.0)
-------------------------------	---------------	--------------	---------------	--------------	---------------	--------------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
Fees with proposed legislation:						
Current fees:						
Change in Revenues:						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2003) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Liquor licenses currently are issued for two years, renewable in either an even or an odd year. This legislation would allow multiple license holders the option of renewing all of their licenses on the same two-year cycle.

This legislation also would amend the fee structure for common carriers, such as airlines, that hold multiple liquor licenses. At present, Alaska Airlines would be the largest license holder affected by this legislation. The company currently has 110 liquor licenses at \$700 per two-year license (under the existing fee structure). This legislation would change the requirement of licensing each airplane to licensing each Alaska destination served by the airline. Therefore, the savings to Alaska Airlines (and loss to the state) is based on the number of Alaska destinations (19 X \$2,000 for a two-year license) instead of the existing per-aircraft license fee structure. This would save Alaska Airlines approximately \$39,000 every two years.

This legislation also would raise the license fee for all other common carriers from \$700 to \$1,000 per license for each biennial period. Therefore, the net loss to the state in license revenue would average about \$10,000 per year.

Prepared by: Dawn Holland-Williams
 Division: Alcoholic Beverage Control Board
 Approved by: Larry Persily, Deputy Commissioner
 Agency: Department of Revenue

Phone 269-0359
 Date/Time 4/22/03 2:39 PM
 Date 4/22/2003

CS FOR SENATE BILL NO. 128(FIN) am
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-THIRD LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Amended: 5/7/03

Offered: 4/24/03

Sponsor(s): SENATOR COWDERY

A BILL
FOR AN ACT ENTITLED

1 "An Act relating to licensing common carriers to dispense alcoholic beverages; and
2 providing for an effective date."

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

4 * **Section 1.** AS 04.11.180 is repealed and reenacted to read:

5 **Sec. 04.11.180. Common carrier dispensary license.** (a) A common carrier
6 dispensary license authorizes the holder to sell alcoholic beverages for consumption
7 aboard a vehicle, boat, or train licensed by a state or federal agency for passenger
8 travel, or aboard aircraft operated by an airline licensed by a state or federal agency
9 for passenger travel.

10 (b) Except for a common carrier that is an airline, a common carrier shall
11 obtain a license for each vehicle, boat, or train in which alcoholic beverages are
12 served. After obtaining an initial license for the first vehicle, boat, or train, the
13 common carrier may obtain additional licenses for additional vehicles, boats, or trains
14 upon making a written request identifying the vehicle, boat, or train in the manner

1 prescribed by the board, and paying the biennial fee for additional licensed premises
2 as required by (c) of this section.

3 (c) Except as provided for airlines under (d) of this section, the biennial fee for
4 a common carrier dispensary license is \$1,000 for each of the first 10 licenses a
5 common carrier holds and \$100 for each additional license issued to the common
6 carrier after the first 10 licenses.

7 (d) The biennial fee for a common carrier dispensary license issued to an
8 airline is the fee specified under (c) of this section for each aircraft in which alcoholic
9 beverages are served or ~~\$2,000~~ for each community served by the airline. An airline
10 shall specify the fee applicable to the license at the time of the airline's application for
11 issuance or renewal of the license.

12 (e) Upon request of the common carrier and payment of the proportionate
13 prorated applicable fee, the board shall change the license period of a license for a
14 vehicle, boat, or train to allow registration to occur in the biennial period of the
15 balance of the licensee's common carrier licenses.

16 * Sec. 2. The uncodified law of the State of Alaska is amended by adding a new section to
17 read:

18 APPLICABILITY. This Act applies to issuance of a new common carrier dispensary
19 license or renewal of a common carrier dispensary license that occurs on or after the effective
20 date of this Act.

21 * Sec. 3. This Act takes effect July 1, 2003.

SENATOR
JOHN J. COWDERY
Anchorage



Committees
Chair: Rules
Chair: Transportation
Chair: World Trade &
State/Federal Relations
Legislative Council

Senate

January - May:
State Capitol, Suite 101
Juneau, Alaska 99801-1182
Tel: 907-465-3879
Toll Free: 888-269-3879
Fax: 907-465-2069

May - December:
716 W. 4th Avenue
Anchorage, Alaska 99501
Tel: 907-269-0222
Fax: 907-269-0223

Senator_John_Cowdery@legis.state.ak.us

SPONSOR STATEMENT FOR SB 128

"An Act relating to licensing common carriers to dispense alcoholic beverages"

An airplane, train, cruise ship or sightseeing vessel is in the business of carrying passengers from one place to another. Not always obvious, however, is that these common carriers may also be an establishment that serves alcoholic beverages, and must be licensed by the state of Alaska as such.

Presently, a separate state ABC license is required for each individual aircraft, railcar or vessel. This is costly for the common carrier as well as an inefficient duplication of government regulatory effort. The purpose of SB 128 is to improve government efficiency and at the same time reduce cost to common carriers.

Presently, Alaska Airlines must maintain ABC licenses for each of the approximately 110 aircraft it operates, despite the fact that only 35 may actually carry passengers on an intrastate flight in Alaska. Under CS SB 128, Alaska Airlines will instead be required to purchase a (\$2,000) license for each of the 19 cities/airports it serves within Alaska.

This legislation will simplify the licensing process for the Alcohol Beverage Control Board, and at the same time reduce fees to licensees to more accurately reflect the cost to the Board of issuing the licenses. In addition, SB 128 allows a single train to be licensed, rather than requiring each buffet car to hold a single license. For smaller Alaska air carriers which might serve alcoholic beverages on a longer intrastate flight, a provision of SB 128 allows a carrier to chose a per-aircraft or per-city option.

SB 128 removes a competitive disadvantage facing common carriers and brings Alaska's licensing fees closer to that in place in other states. A prosperous future for Alaska depends on economic development. Increasing government efficiency is one pillar of this goal, and SB 128 is one portion of that reform.

May 5, 2003

CS for SENATE BILL 128 (FIN) am
By SENATOR JOHN J. COWDERY

An Act relating to licensing common carriers to dispense alcoholic beverages.

BACKGROUND AND ANALYSIS

The State of Alaska licenses various modes of transportation that serve alcoholic beverages in commercial operations as "common carriers" under provisions of AS 04.11.180. This licensing requirement requires that each vehicle, ship, car, or aircraft that could operate within Alaska be licensed on a biennial basis for \$700. A seasonal license good for six months each year is available at half price for visitor-related operations.

The Alcoholic Beverage Control (ABC) Board has been advised that this system of licensing every aircraft, ship, or car that could operate within the State of Alaska is unfair and unreasonable as it concurs. This is particularly true in the way the law has come to affect airlines that operate within Alaska, but do extensive business on an interstate and international basis. The logistic challenges of a modern airline operating in a very competitive environment make it very difficult, if not impossible, to predict which aircraft will be used in various parts of the system. As a result Alaska Airlines, desiring to insure full compliance with Alaska's common carrier alcoholic beverage laws, has opted to license every one of its growing fleet of aircraft, now approaching 110 planes. With only a fraction of Alaska Airlines fleet flight hours being flown within Alaska, this licensing method extracts fees beyond what is logically warranted.

While Alaska Airlines is uniquely affected by the present common carrier licensing requirements, this system would also discourage other national and international airlines from entering the Alaska market (flying between two or more Alaska cities). The principle of licensing every plane that might fly within the State would be a clear case of licensing overkill.

SB 128 would provide some relief for this unfair licensing circumstance. Under provisions of the bill, a common carrier flying intrastate routes would pay a biennial fee of \$2,000 for each community served – or a biennial fee of \$1,000 for its first 10 aircraft and \$100 for each additional license. A common carrier (airline) would have the choice of license/fee structure.

There is also provision made to aid both the industry and the ABC Board licensing staff by allowing consolidation of all of the licenses on to the same

biennial licensing cycle. This approach is simple and provides a greater degree of equity for those licensing numerous vessels, cars, or aircraft.

Changes in other areas, particularly as they apply to the visitor industry, may also benefit from this bill. Presently, passengers on the Alaska Railroad must use the dining or buffet cars if they wish to purchase food and alcoholic beverages. The caterer for the Alaska Railroad has expressed interest in providing better service to passengers by providing refreshments, including alcoholic beverages, to the passenger in his or her seat. This would require licensing each passenger car for a common carrier license.

Prepared by:
Doug Griffin, Director
ABC Board
269-0350

ALASKA STATE LEGISLATURE
SENATE DISTRICT 0

Interim:

716 West 4th Ave.
Anchorage, AK 99501
Phone: 907-269-0222
Fax: 907-269-0223
Toll Free: 1-888-269-3879



Session:

State Capitol Building
Juneau, AK 99801
Phone: 907-465-3879
Fax: 907-465-2069
Toll Free: 1-888-269-3879

John J. Cowdery

Senate Rules, Chair

Senate Transportation Committee, Chair

World Trade State & Federal Relations, Chair

State Affairs, Legislative Council

FEATURES OF CS for SB 128

- Treats airlines in a manner different from other common carriers...
- ABC board will license each community/airport served by an airline flying intrastate routes. Fee will be \$2,000 per license, which totals \$38,000.
- There are 19 airports served by Alaska Airlines. These are: Adak, Anchorage, Barrow, Bethel, Cordova, Dillingham, Dutch Harbor, Fairbanks, Juneau, Ketchikan, King Salmon, Kodiak, Kotzebue, Nome, Petersburg, Prudhoe Bay, Sitka, Wrangell, Yakutat.
- ... Advantages include avoidance of paperwork for new/retired aircraft, easy licensing for new airlines that might fly intrastate routes. ...
- ... Retains original purpose of SB 128 in full.

EXPLANATION OF CHANGE TO CS for SB 128

Discounting common carrier licenses for multiple planes remained cumbersome and did not focus on the operations of the airlines within Alaska. Therefore the ABC Board would prefer using a licensing mechanism that is more stable and Alaska-based in working with national airlines.

Instead of licensing the actual planes, the ABC Board would prefer licensing each community/airport served (by the airline) in Alaska. Figuring \$2,000 per location served results in a biennial fee of \$38,000 (plus an application fee) for Alaska Airlines. (This is very close to the fee structure of SB 128 in its original form.)

The fee amount could be adjusted if the desire is to have a revenue-neutral outcome. The approach reflects the remarkable mobility of today's airline fleets. Airlines looking to expand to Alaska would only pay for those Alaska cities served on an intrastate basis. In addition, there would no longer be concerns with individual aircraft as they are retired or replaced. This system treats airlines in a different manner from other common carriers - but it is for a valid public purpose focused on actual intrastate activity.

Alaska Airlines

WILLIAM F. MACKAY
VICE PRESIDENT
PUBLIC AND GOVERNMENT AFFAIRS

April 9, 2003

The Honorable John Cowdery
Alaska State Senate
State Capitol, Room 101
Juneau, Alaska 99801

Dear Senator Cowdery,

Alaska Airlines has requested that the current licensing requirements for common carrier beverage dispensary licenses be modified for two reasons. First, to simplify the requirements so that adding additional aircraft will not require an entirely new application process, involving filling out the application, supplying supporting exhibits, and posting and publishing the application for a license. Alaska and the Board agree that modifying the statute to simplify obtaining additional common carrier license will reduce the clerical and administrative work for both Alaska Airlines and the Board and is therefore in the public interest.

Secondly, Alaska Airlines would like the fees reduced. Alaska Airlines currently has 102 aircraft and plans to add additional aircraft each year. The growth of the fleet substantially exceeds the growth of its intrastate flying. Alaska Airlines recently began service from Seattle to Washington D.C., Newark, Boston, Denver, Miami and will soon commence service from Seattle to Orlando. The Company does not have an effective means of limiting the aircraft that serve Alaska to a select few and instead operates all of its aircraft in Alaska, often to enable it to provide single plane service from cities in Alaska to cities south or east of Seattle. Since every aircraft must be separately licensed, and every license costs Alaska Airlines \$450 a year (a \$700 biannual fee plus a \$200 license fee), the license fees have become quite high and will continue to escalate at a faster rate than the Company's intrastate flying will escalate. Alaska Airlines only operates a small portion of its fleet on intrastate routes on any given day. In addition, it should be noted that none of the other major airlines serving Alaska, with the possible exception of Delta, obtain Alaska liquor licenses since they do not operate intrastate. Alaska Airlines believes that it pays substantially more for common carrier licenses than any other licensee in Alaska. It seems fair to reduce the fees to more accurately reflect a costs to the Board of issuing licenses and the intrastate presence that Alaska Airlines actually has. If the proposed bill becomes law, Alaska Airlines will still pay more in fees to Alaska than it pays in any other state.

Sincerely,

W. F. Mackay