

SB

128

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

REPORTED OUT
 APR 23 2003
 SENATE FINANCE
 COMMITTEE

DATE: 4/11/03

FURTHER:

DATE TURNED IN TO OFFICE: 23 April 2003

Finance Committee considered

SENATE BILL NO. 128

SB 128 COMMON CARRIER LIQUOR LICENSE

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

and recommends:

- be replaced with _____ CS SB 128 (FIN)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:

- same title
- new title

House Bill:

- same title
- technical title
- new: SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
Revenue	2/22/03		✓	

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Robin Taylor</i>			✓	
<i>Annita C. Gibson</i>			✓	
<i>C. Blum</i>	✓			
<i>Ben Steens</i>	✓			
COCHAIR: <i>Lynne Green</i>	✓			
COCHAIR: <i>Gary Hill</i>	✓			

APR 23 2003

SENATE FINANCE COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CSSB128(FIN)
() Publish Date: _____

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	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
CHANGE IN REVENUES ()	(18.0)	(2.0)	(18.0)	(2.0)	(18.0)	(2.0)

FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
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	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
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

adopted

WORK DRAFT

WORK DRAFT

WORK DRAFT

23-LS0757AH
Ford
4/22/03

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

BY

Offered:
Referred:

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 \$2,000 for each community served by the airline.

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

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

15 **APPLICABILITY.** This Act applies to issuance of a new common carrier dispensary
16 license or renewal of a common carrier dispensary license that occurs on or after the effective
17 date of this Act.

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

SENATE FINANCE COMMITTEE REPORT

DATE: 4/11/03

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 128

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NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Cydonia Taylor</i>			✓	
<i>George Collins</i>			✓	
<i>C. Bunker</i>	✓			
<i>Ben Stuller</i>	✓			
COCHAIR: <i>Lynne Drees</i>	✓			
COCHAIR: <i>Gary White</i>	✓			

23-LS0757AD

Ford

4/22/03

CS FOR SENATE BILL NO. 128()

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): SENATOR COWDERY

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6 carrier after the first 10 licenses.

7 (d) The biennial fee for a common carrier dispensary license issued to an
8 airline is \$1,000 for each community served by the airline.

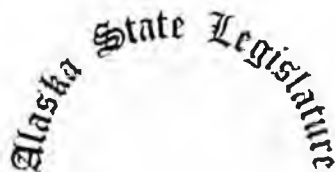
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SENATOR
JOHN J. COWDERY
Anchorage



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

Committees

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

Senate

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.

Alaska Airlines, for example, maintains ABC licenses on 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 SB 128, Alaska Airlines will instead be required to purchase 10 licenses, with a smaller fee for additional aircraft.

The impact of SB 128 on Alaska Airlines' potential competitors shouldn't be discounted. Under present statute a national air carrier that might chose to fly routes within Alaska could face the cost of licensing hundreds of aircraft.

This legislation will simplify the current 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.

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.

MARCH 27, 2003

SENATE BILL 128

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 and 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. The bill would increase the biennial license fee to \$1,000 for the first 10 licenses and charges only \$100 for each license additional license. 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.

There would be a slight increase from \$700 to \$1,000 for the first 10 biennial licenses. This partially offsets the break that is given to the holder of multiple licenses. A more detailed fiscal note is being prepared. The overall loss of revenue to the state would be about \$24,000 on an annualized basis.

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

April 15, 2003

SB 128—Common Carrier Liquor Licenses
Senator Cowdery

Alternative Licensing Approach and Formula for Airlines

SB 128 seeks to change the way companies holding large numbers of common carrier licenses are treated. This concept attempts to bring fairness to the licensing scheme that is used in Alaska by discounting licenses in excess of ten held by the same company. Presently, any aircraft that may potentially fly within Alaska must have a common carrier license. This results in an onerous licensing requirement for Alaska Airlines which is the only national airlines now flying within Alaska. This licensing methodology serves as a deterrent for other national airlines considering expansion to Alaska.

Clearly, the Alaska requirement of licensing planes is archaic in light of modern deployment and logistic techniques used by national airlines. However, discounting common carrier licenses for multiple planes is still cumbersome and does not focus on the operations of the airline 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 in Alaska. By my count that would be 19 locations within Alaska served by Alaska Airlines (see list below). If you used the figure of \$1,000 per location served, that would result in a biennial fee of \$19,000 (plus application fee) for Alaska Airlines (coincidentally, this is very close to "new" fee structure under SB 128). The fee amount could be adjusted if the desire is to have a revenue neutral outcome. This 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. There would no longer be concerns with individual planes as they are retired and replaced with new aircraft. This system treats airlines differently, but it is for a valid public purpose focused on actual activity within the State.

This approach could also be used for train service. However, since SB 128 licenses trains now and not individual cars there is not the same level of need to adjust fees to account for this the desire to provide alcoholic beverage service in all passenger cars.

List of communities/cities served by Alaska Airlines:

Adak	Fairbanks	Petersburg
Anchorage	Juneau	Prudhoe Bay
Barrow	Ketchikan	Sitka
Bethel	King Salmon	Wrangell
Cordova	Kodiak	Yakutat
Dillingham	Kotzebue	
Dutch Harbor	Nome	

Post-It Fax Note	7671	Date	4-16	Initials	4
To	KIM H.	From	Doug Griffin		
Co/Dept	Trust Consult.	Co.	ABC Board		
Phone #	586-1776	Phone #	269-0251		
Fax #	586-1476	Fax #	272-4412		

FEATURES OF CS for SB 128

- ... ABC board will license each community/airport served by airline (flying intrastate routes). Fee will be \$1,000 per license, which totals \$19,000.
- ... There are 19 airports served by Alaska Airlines.
- ... Advantages include avoidance of paperwork for new/retired aircraft, easy licensing for new airlines that might fly intrastate routes.
- ... Treats airlines in a manner different from other common carriers.
- ... Retains original purpose of SB 128 in full

Alaska Airlines

WILLIAM L. 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. L. Mackay

SENATE COMMITTEE REPORT First Committee of Referral

DATE: 3/10/03

FURTHER: Finance

Date of 5-Day Notice: 4/3/03
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: 4/10/03

Labor and Commerce Committee considered SENATE BILL NO. 128

SB 128 COMMON CARRIER LIQUOR LICENSE

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Senate Bill:

same title

new title

House Bill:

same title

technical title

new: SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
REV	4/8/03	✓		1

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
Davis <i>Betty Davis</i>			✓	
French <i>[Signature]</i>			✓	
Seekins <i>Keith Seekins</i>			✓	
G. Stevens <i>[Signature]</i>			✓	
Bunde CHAIR: <i>[Signature]</i>			✓	

