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<TARGET><BILL>HB 125</BILL><SUBJECT>HB
125</SUBJECT><COMM>SF IN27</COMM></TARGET>

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version
Fiscal Note Number
(H) Publish Date

CSHB 125(L&C)
5
2/24/12

Identifier (file name) HB125-DCCED-ABC-02-17-12
 Title Alcoholic Beverage Control Board Dept. Affected DCCED
 Sponsor Legislative Budget and Audit Appropriation Alcoholic Beverage Control Board
 Requester House Finance Allocation Alcoholic Beverage Control Board
 OMB Component Number 2690

Expenditures/Revenues _____ (Thousands of Dollars)

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

| OPERATING EXPENDITURES | FY13 Appropriation Requested | Included in Governor's FY13 Request | Out-Year Cost Estimates | | | | | |
|------------------------|------------------------------------|--|-------------------------|------------|------------|------------|------------|------------|
| | | | FY14 | FY15 | FY16 | FY17 | FY18 | |
| Personal Services | FY13 | FY13 | | | | | | |
| Travel | | 1,142.1 | | | | | | |
| Services | | 85.9 | | | | | | |
| Commodities | 228.5 | 285.5 | | | | | | |
| Capital Outlay | | 24.6 | | | | | | |
| Grants, Benefits | 19.0 | 0.1 | | | | | | |
| Miscellaneous | | | | | | | | |
| TOTAL OPERATING | 247.5 | 1,538.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| (Thousands of Dollars) | | | | | | | | |
| FUND SOURCE | | | | | | | | |
| 1002 Federal Receipts | | | | | | | | |
| 1003 GF Match | | | | | | | | |
| 1004 GF | | 0.4 | | | | | | |
| 1005 GF/Prgm (DGF) | 247.5 | 1,414.1 | | | | | | |
| 1037 GF/MH (UGF) | | | | | | | | |
| 1007 I/A Repts (Other) | | 123.7 | | | | | | |
| TOTAL | 247.5 | 1,538.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| POSITIONS | Full-time | Part-time | Temporary | | | | | | |
|---------------------------|-----------|-----------|-----------|--|--|--|--|--|--|
| CHANGE IN REVENUES | | | | | | | | | |

Estimated SUPPLEMENTAL (FY12) operating costs _____ (separate supplemental appropriation required)
 (discuss reasons and fund source(s) in analysis section)
 Estimated CAPITAL (FY13) costs _____ (separate capital appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)
 This fiscal note was updated to reflect: the Governor's FY13 budget request for the ABC Board and the sunset of the Alcohol Beverage Control Board on June 30, 2012.

Prepared by JoEllen Hamrahan, Director Phone 465-2506
 Division Administrative Services Date/Time 2/17/12 11:00 AM
 Approved by Susan K. Bell, Commissioner Date 2/19/2012
Commerce, Community, and Economic Development

Analysis

HB 125 moves the Alcoholic Beverage Control (ABC) Board to the Department of Commerce, Community, and Economic Development (DCCED) from the Department of Public Safety (DPS). This move will require one-time costs for resources to migrate the existing Written Orders and Licensing Application from DPS to the DCCED environment. In addition, additional resources will be necessary to align the ABC Board with the DCCED cost allocation plan for Commissioner's Office and Administrative Services support. Ongoing support covered under the allocation plan includes costs for fiscal, information technology, budget, procurement, human resource assistance, and the Commissioner's office.

Services include an increase of \$39.8 to cover the administrative support costs in DCCED. This amount is net of the amount that DPS currently allocates to the ABC Board budget component for Commissioner Office and Administrative support. In DPS, these components are funded primarily by general fund which allows DPS to allocate less cost to their agencies. In contrast, in DCCED these components are primarily funded with inter-agency receipts which require that the majority of costs be allocated to the department agencies. DCCED has an approved cost allocation plan based on both weighted positions and various level of effort calculations for the services provided. Under DCCED, the total allocated costs to the ABC Board for Commissioner and Administrative Services is \$62.8; netting this amount against the current DPS budgeted allocation results in a \$39.8 needed increase to ABC's current authorization.

Services also include the one-time cost (\$188.7) of migrating two database applications to the DCCED environment and re-integrating ABC Board staff access back into the DPS APSIN Case Management System. These costs are based on task order rates applied to projected hours. Migrating the database applications will entail an assessment of the application code itself and an analysis of the methodologies by which these applications were designed to operate within the DPS network, hardware, and application environments. Preliminary discussions between DCCED and DPS technical staff have identified differences in security implementations, database implementations, reporting generation platforms, network structures, Active Directory environments, and identity management methodologies for user accounts that these systems currently use. Modern applications are deeply tied into the multiple layers and components that comprise today's technology environments; separating an application from its current environment and transplanting it into another environment is possible, but can be quite complex because of these links.

By federal law, DPS is required to have additional security levels for its CIIS systems and part of that implementation is a separate active directory managed by DPS. The security models and implementations are different for DPS and DCCED. The ABC Board applications are dependent upon the DPS Active Directory system and an interface with Novell Access Manager System; neither of these exist or are configured to work within DCCED's environment. The ABC applications allow liquor establishment clerks across the state to access the Written Order application through the Active Directory; DCCED security environment does not parallel this model.

New underlying support models will need to be designed, developed and configured for integration into the DCCED environment. The ABC Board database applications "AD hooks" will need to be re-coded and re-pointed to the new models. To migrate to DCCED, the architecture must meet industry best practices and the state security standards established by the Department of Administration Enterprise Technology Services division. The migration to the DCCED environment will require analysis, planning, testing, remediation and implementation. Hardware and software components will have to be purchased as these applications cannot be transferred with their supporting hardware platforms from DPS because of other DPS applications that rely on the same hardware infrastructure. Capital outlay includes a one-time increase to replace equipment that is currently integrated into the DPS network and will not be transferred to DCCED.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version
Fiscal Note Number
(H) Publish Date

CSHB 125(L&C)
4
2/24/12

Identifier (file name) HB125-DCCED-ASD-02.20-12
 Title Alcoholic Beverage Control Board
 Dept. Affected DCCED
 Sponsor Legislative Budget and Audit
 Appropriation Executive Administration
 Requester House Finance
 Allocation Administrative Services
 OMB Component Number 1028

Expenditures/Revenues (Thousands of Dollars)

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

| OPERATING EXPENDITURES | FY13 Appropriation Requested | Included in Governor's Request FY13 | Out-Year Cost Estimates | | | | | |
|------------------------|------------------------------------|--|-------------------------|------------|------------|------------|------------|--|
| | | | FY14 | FY15 | FY16 | FY17 | FY18 | |
| Personal Services | 0.0 | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Travel | 0.0 | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Services | 0.0 | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Commodities | 0.0 | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Capital Outlay | | | | | | | | |
| Grants, Benefits | | | | | | | | |
| Miscellaneous | | | | | | | | |
| TOTAL OPERATING | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |

| FUND SOURCE | (Thousands of Dollars) | | | | | | | |
|-----------------------|------------------------|------------|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts | | | | | | | | |
| 1003 GF Match | | | | | | | | |
| 1004 GF | | | | | | | | |
| 1005 GF/Prgm (DGF) | | | | | | | | |
| 1037 GF/MH (UGF) | | | | | | | | |
| 1178 temp code (UGF) | | | | | | | | |
| TOTAL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| POSITIONS | | | | | | | | |
|---------------------------|--|--|--|--|--|--|--|--|
| Full-time | | | | | | | | |
| Part-time | | | | | | | | |
| Temporary | | | | | | | | |
| CHANGE IN REVENUES | | | | | | | | |

Estimated SUPPLEMENTAL (FY12) operating costs _____ 0.0 (separate supplemental appropriation required)
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ 0.0 (separate capital appropriation required)
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)
 This fiscal note updates to the new 2012 form and zeros out costs to Administrative Services as no fiscal impact is anticipated.

Prepared by Kate Bowns, Budget Manager
 Division Administrative Services
 Approved by JoEllen Hanrahan, Director Administrative Services
 Commerce, Community, and Economic Development

Phone 465-2506
 Date/Time 2/20/12 10:00 AM
 Date 2/20/2012

FISCAL NOTE #4

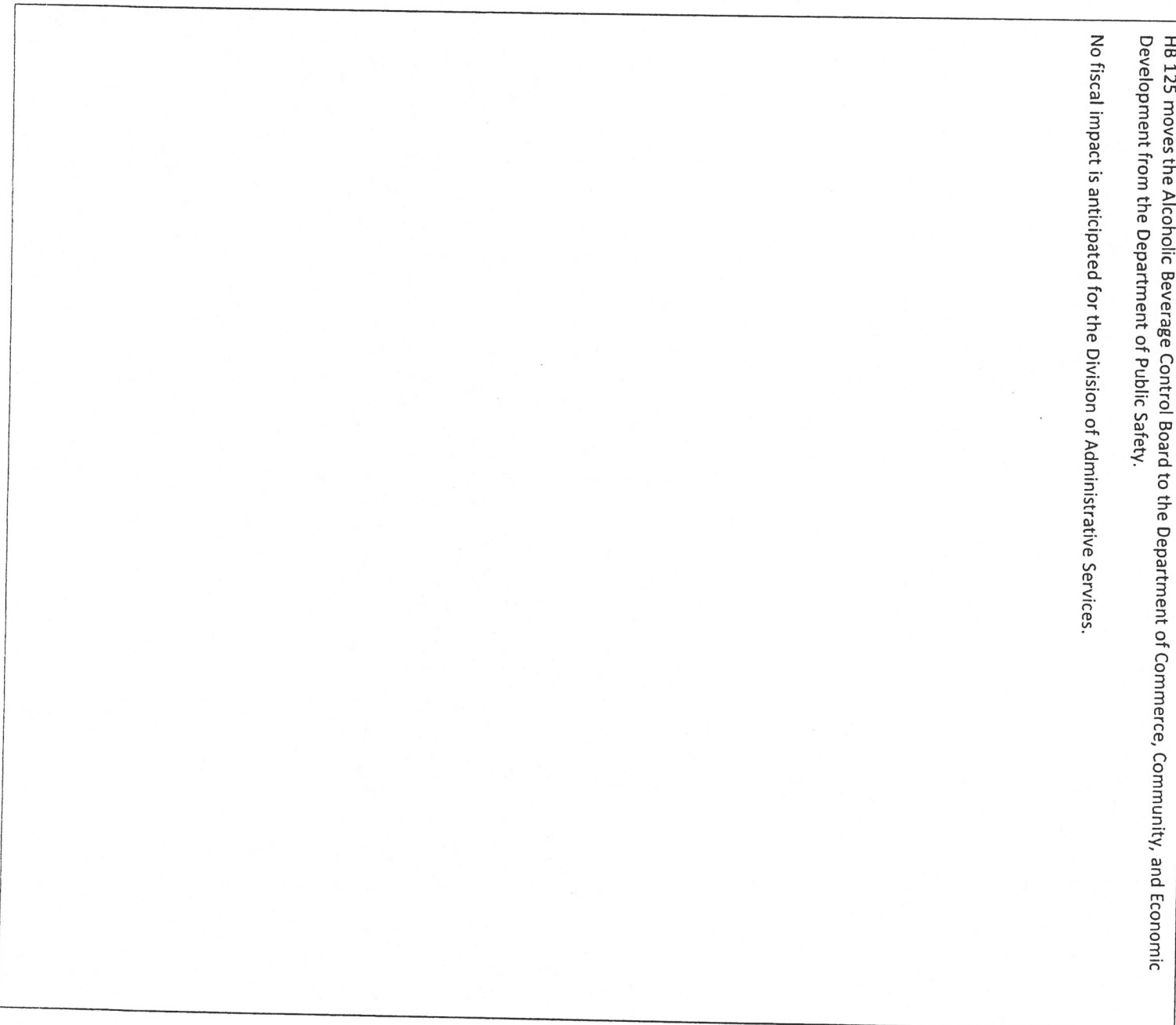
STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSHB 125(L&C)

Analysis

HB 125 moves the Alcoholic Beverage Control Board to the Department of Commerce, Community, and Economic Development from the Department of Public Safety.

No fiscal impact is anticipated for the Division of Administrative Services.



ADOPTED 4/19/12

27-LS03781B.A.1
Gardner
4/5/12

AMENDMENT #1 Stedman

OFFERED IN THE SENATE

TO: CSHB 125(L&C)(efd am)

- 1 Page 2, line 19:
- 2 Delete "the use of"
- 3 Insert "the director or persons employed by the director for the administration
- 4 and enforcement of this title to require a person to provide"

Alaska State Legislature

Legislative Budget & Audit Committee

Interim:
716 West 4th Ave
Anchorage, Alaska 99501
(907) 269-0244



Session:
State Capitol Building
Juneau, Alaska 99801
(907) 465-4949

Representative Mike Hawker, Chairman

House Bill 125 Sponsor Statement

Short Title: Alcoholic Beverage Control Board

House Bill 125 transfers administration of the Alcoholic Beverage Control Board from the Department of Public Safety to the Department of Commerce, Community and Economic Development.

The Alcoholic Beverage Control Board was established as a regulatory and quasi-judicial agency for the oversight of the manufacture, barter, possession, and sale of alcoholic beverages in the state.

The Board was originally established in the Department of Revenue for administrative purposes only. Legislation in 2003 moved the Board to the Department of Public Safety. A subcommittee of the Legislative Budget and Audit Committee held hearings in Summer 2010 to determine the best Board location for administrative purposes. That subcommittee recommended moving the Board to the Department of Commerce, Community and Economic Development. House Bill 125 has been introduced to implement that recommendation.

Alaska is a "license" state with issuance of licenses by the board to private business. As the Alcoholic Beverage Control Board is primarily a commercial, regulatory agency, it should come under the Department of Commerce, Community and Economic Development, along with all other professional and industry regulatory boards and commissions. House Bill 125 does not restrict or change the enforcement responsibilities of the Board or of the Department of Public Safety.



Alaska State Legislature
ABC Board Audit Review Subcommittee of the
Legislative Budget & Audit Committee

In August 2010, the Alcoholic Beverage Control (ABC) Board Audit Review Subcommittee, under the direction of the Legislative Budget and Audit Committee, held hearings related to the 2009 ABC Board Sunset Audit and the provisional one year extension of the ABC Board's operations. Specifically, the Subcommittee was tasked with performing an analysis of the Board and policy issues related to its 2004 transfer from the Department of Revenue to the Department of Public Safety, and to make recommendations regarding the continuance of its operations.

The Subcommittee held two meetings where it solicited testimony and data from both the alcohol industry and the regulatory and enforcement agencies providing oversight to it. On August 13, 2010, the Subcommittee received presentations from Alaska Cabaret, Hotel, Restaurant and Retailer's Association (CHARR), Anchorage CHARR and the Anchorage Responsible Beverage Retailers Association (ARBRA), as well as public testimony in the form of written submissions from individual licensees. Then, on August 27, 2010, the Subcommittee received a presentation on ABC Board operations from Director Shirley Gifford, testimony from Commissioner Masters of Department of Public Safety (DPS) and ABC Board Chairman Bob Klein, and updated audit information from the Legislative Audit Division.

Regarding recent audits, testimony indicated the administration and operations of the ABC Board have greatly improved under the tenure of Director Gifford, who received high praise from all parties. Testimony also indicated the 2004 move of the ABC Board to Public Safety had been successful in achieving the more rigorous enforcement atmosphere which had served as the original justification for the transference. These positive points were counter-balanced, however, by recognition that the cultural shift towards a more exclusively enforcement mentality had inadvertently created an adversarial relationship between the ABC Board and industry and, in the words of ABC Board Chair Klein, an apparent loss of recognition of and/or respect for the industry's "commercial aspects".

It is acknowledged by the ABC Board it will continue to perform its enforcement and oversight duties regardless of the Department under which it operates. It is further acknowledged by the Department of Public Safety (which provides administrative services to the Board but, by admission, exercises little or no directive control) it will continue to assist the ABC Board with its enforcement and compliance activities. Therefore, recognizing such a move should entail no diminishment of service by the ABC Board but is likely to engender a greater sensitivity on its part for the commercial benefits the industry generates for the State, it is the recommendation of the ABC Board Audit Review Subcommittee that the ABC Board be transferred to the Department of Commerce, Community and Economic Development.

Respectfully submitted by Subcommittee Members:

Senator Kevin Meyer, Chair
Representative Mike Hawker
Representative Bill Stoltze
Senator Linda Menard, Alternate