

AK LEGISLATURE FINANCE COMMITTEES FILES 2007-2008 3351

233

WHEREAS, the Board ultimately adopted a rate based upon a closed system since SB 141 did not provide for assessing the rate across an employer's entire payroll;

NOW THEREFORE, BE IT RESOLVED BY THE ALASKA RETIREMENT MANAGEMENT BOARD, that the Board would support passage of SB 125 in substantially the same form (version ~~1~~) as before the Senate Finance committee on May 2, 2007 and after enactment of SB 123 and SB 125, as known to the Board on May 2, 2007, and would support setting the FY 08 contribution rate for the Public Employees' Retirement System at 32.51%.\*

DATED at Anchorage, Alaska this \_\_\_\_ day of May, 2007.

\_\_\_\_\_  
Chair

ATTEST:

\_\_\_\_\_  
Secretary

## SB 125 PERS COST SHARE LEGISLATION

- This presentation will be comprised of two parts: (1) overview of SB 125 PERS Cost Share Bill and (2) financial proposal to address unfunded liability for PERS and TRS, which will be presented by Commissioner Kreitzer.
- On March 13, 2007, you received a presentation from Charlene Morrison, Chief Financial Officer and Commissioner Kreitzer.
- During the presentation it was explained that PERS Plan is an **agent multiple employer plan**, which means that the assets are pooled for all PERS employers and they share the administrative expenses.
- Currently, in accordance with statute, each PERS employer has its own individual employer contribution rate that it pays to the PERS Plan. The employer contribution rates vary from between **14.48%** to **185%** of covered payroll. There are 160 employers that participate in the PERS Plan, the State being the largest employer.
- The presentation on March 13, 2007, formed the backdrop for our discussion this morning. The information provided to you involved the concerns raised about the **accounting associated with** the PERS Plan at the **employer level**. It is important to note, this matter does not impact the economics at the plan level.
- **Governor Palin** has introduced SB 125 as a **proposed solution** to address the concerns raised by moving forward and establishing the PERS Plan as a **COST SHARE PLAN**.
- SB 125 is modeled after the TRS Plan, which is a **COST SHARE PLAN** established by the legislature in 1955. All TRS employers pay one uniform rate. There are 58 employers that participate in the TRS plan.
- Under SB 125 there will be no assignment of liabilities and assets by individual employer. Instead all employers will share in the liabilities and the assets – hence the name ‘COST SHARE PLAN’
- This bill will establish one uniform employer contribution rate for PERS employers, with the exception that the State of Alaska will pay a higher contribution rate.

Melanie Millhorn, Dir. Retirement +  
Benefits

3/19/07 9:09:51 am

For the record my name is Larry Semmens, I am the finance director of the City of Kenai. I am a member of the Alaska Retirement Management Board.

First, thank you for working so diligently to craft a solution to the pension system challenges. I believe this is some of the most important work that the legislature can do and I am glad it is a priority for this Administration and the Senate Finance Committee.

First, a few words that from my ARMB seat.

Recent ARMB resolutions support direct contributions to TRS to reduce the employer rate, and we support changing the PERS to a cost share plan.

Last year the ARMB made recommendations in our long term solution that the State pay a large share of the past service rate, that employers that contributed excess amounts be protected and that accounts be established to facilitate budgeting. Last session, HB 375 contained these concepts and passed the House but not the Senate. HB 179 currently includes much of the same language as HB 375. SB 125 includes many of these concepts.

The ARMB also recommended that significant cash contributions be made to pay down the growing unfunded liability.

In September 2006 the ARMB set the FY 2008 PERS rate at 39.76% and the TRS rate at 54.03% as recommended by Buck Consultants for a closed system. This was also based on the understanding that Governor Murkowski was going to recommend that the incoming Governor budget for the required \$505 million to cover the increase and an additional \$500 million to pay down the unfunded liability. Governor Palin included funding in her budget to cover the full cost of the rate increases.

The ARMB adopted modifications of the actuarial assumptions per the recommendations of Buck Consultants contained in their experience study. The new assumptions, along with changes to actuarial method and the amortization method, will increase the unfunded liability. The presentation projected the FY 2008 rates would have been 46.64% for PERS and 59.56% for TRS.

Wrapping up my ARMB comments I am pleased to tell you that the ARMB, with the help of the excellent staff in the Treasury Department led by Gary Bader, earned 11.7% for the year ended June 30, 2006 and over 15% in calendar year 2006 putting the Alaska Retirement Systems in the top 18% of public funds in the Callan database.

Now some comments from my finance director seat:

From a municipal point of view the two most important components of the plan to address PERS are:

1. that the State accepts financial responsibility for a significant portion of the past service cost currently assigned to local governments. This is so that municipalities can remain financially solvent without draconian cuts to services or huge tax increases. Most municipalities can handle a PERS rate in the low 20% range even though this is a huge increase over historical rates.
2. that the rate is stable and predictable. Until recently, for the past 20 years or so most employers, the State included, have had low and quite stable PERS rates. So it is no surprise that the last three years of 5% increases and especially the 2008 rate increase have caused widespread consternation. This is due both to the fiscal impact of the rate increases and to the uncertainty of what future rates will be.

Now to address specific points in the bill:

The AML is in favor of a cost sharing plan, but the share is the critical thing. I don't know if the AML would support a cost share plan if the State doesn't pick up a large part of the rate. Note that the State is the biggest winner if we were to go to a cost share plan where everyone pays 39.76%. Imagine the irony if that came to pass.

The 65% share in the bill produces an employer rate of 31.86% after the impact of issuing \$1.7 million in Pension Obligation Bonds July 1, 2007. 32% is too high for municipalities. The solution we need to find brings this rate down to the low 20's.

Using the entire payroll of DB and DCR plan employees is a great idea because it lowers the rate and eliminates the temptation to discriminate in hiring.

Employers will not like the provision that prevents opting out of certain classes of employees. This is meant to prevent an employer from taking advantage of the shared system. But I think there is a better tool to use. Consideration should be given to establishing a baseline salary amount that an employer would be required to pay contributions on, even if actual salaries were less. For example, the baseline could be the 2006 salary that employers calculated their contributions on. If 2009 salaries were actually less than 2006 because the employer contracted out, or perhaps sold, a part of its operation the employer would have to calculate their contributions on the 2006 baseline salary. This base could be adjusted for inflation if necessary.

Employers should be allowed to opt out classes of employees, but a provision could be established that the past service cost portion of the employer rate be applied to the salary of the eliminated class for a period of time. This would prevent an employer from taking unfair advantage of the cost sharing plan, but would allow flexibility in hiring certain positions such as city manager.

I think it is important to figure out how the plan liabilities will be allocated to an employer that wants to terminate membership in the plan. Since there are no individual employer liabilities in a shared system a well defined allocation method should be created.

Municipalities have either adopted their calendar year 2007 budgets or they are currently preparing their FY 2008 budgets. Most of us have built our budget for PERS contribution based on the Governor's budget. Governor Palin's budget includes \$78.5 million to pay the full cost of the increase in the PERS rate from 2007 to 2008 for political subdivisions. Kenai's rate for 2007 is 18.67% including the 5% that the State provided. For FY 2008, Kenai will see a 5% effective increase even if the State pays the full cost of the rate increase from 18.67% to 45.71%. Just for information a 5% increase in the rate is equal to a 36.6% increase in the amount of our 2007 contribution (less the State portion) or almost \$300,000. For Kenai this is significant. To increase from effectively 13.67% to the 31.86% in the bill is an increase in our contribution of \$1,055,264. While this is much better than having to pay the contribution required at 45.71%, I hope it is clear that a million dollar increase in a \$10 million general fund budget is going to be very difficult. And Kenai will feel like we lost a bunch when compared to the Governors budget.

I would like to suggest that for FY 2008, the funding that is in the Governors budget be used to hold PERS employer rates at the FY 2007 levels. This will be a 5% increase for most employers from the rate they paid from their own resources in FY 2007. If a final solution results in municipal employer rate of less than 25%, most employers will not see a large jump in the FY 2009 rate. This is a worthy goal and I hope you will consider doing this.

Thank you again for your work!

Testimony of Michael Lamb on SB 125, dated 3/20/2007.

Mr. Chairman. Committee members: for the record, my name is Michael Lamb, I am the chief financial officer for the Fairbanks North Star and I am a co-chair of the AML Revenue/Finance Sub-committee. Thank you for the opportunity to comment on SB 125, and I guess in reality, on the very dire and critical PERS issue as a whole. Though I work with great diligence to never offend, or burn bridges, given the significance of this issue to PERS member employers, and the very real press of time for legislative action this session, my comments today are going to be purposely direct, and I am going to be as transparent as I can be in conveying how the Borough and other AML member employer's feel about what is going on with PERS/TRS legislation. With that, my comments are as follows:

1. I am happy to see that SB 125 recognizes that we really do not have a single agent multiple employer system, and that legislative language needs to move forward such that our statutes reflect the reality that the State operates PERS as a consolidated blended system.
2. Section 5 contains language that essentially says one rate, which is the combined total of the normal and past service cost rates that will be applied to both DB and DC salaries. I concur with this provision, to do otherwise would at some point lead to discriminatory hiring practices.
3. Section 7, the 65/35 percent allocation of the unfunded liability is a significant disappointment. It is a disastrous proposition that sets rates at levels that cannot be paid by school districts, the university system, cities, or by boroughs. I am particularly disappointed that the exhibits behind this proposition used labels such as winners, losers, and heroes! The Borough's position and the AML's position, and my position has been, and continues to be, that given how the system has been administered, and how one employer's actions affect another's liabilities and how assets have every year for decades been blended and then reallocated it is impossible to say what assets or liabilities any member entity has, and therefore, what their piece of the unfunded liability is, which drives their past service cost rates. Labeling winners and losers is nonproductive and divisive. Those who have been advantaged and disadvantaged, is not determinable, period. This section of the bill clearly does not align in anyway with the AML position of needing predictability, stability, nor affordability. 65/35 is a call to fiscally incapacitate member employers.
4. Then, after rates get set that can't be paid by member employers, we get to section 9, a poison pill provision that essentially says that even if a member employer has a legitimate reason not to make a payment, or maybe simply can not because they just don't have the money, the Administrator of the plan will simply go and take funds from any agency of the state or political subdivision that has in its possession funds of the employer that couldn't pay its bill. So we set a rate that will cripple employers and then any life blood funding available can be summarily taken with no due process? I understand the Administration needs a tool to collect from employers that will not pay a legitimate bill. This is the wrong tool. This is instead a heavy handed tool that will only accelerate the bankrupting of employers, then who will be left to pick up their piece of the bar tab that they can no longer pay, in the end it'll be the State.
5. Sections 10 through 15 deals with terminations. Scrutiny needs to be given to language that allows for unlimited termination cost charges, that can then be extracted from an employer using the section 9 language. Scrutiny also needs to be given to the section 15 language that says you only have 90 days after receipt of notice to decide if you want to add or terminate coverage of a department, group, or other classification of employees. First off, 90 days in a public process environment isn't even enough time to deal with an issue as significant as what is contemplated in this section. Secondly, who can predict what makes sense in the future? Why would we want to preclude future changes that may help the system? Though there will be an attrition factor, is it the intent of this language that all existing school board members, council members, or assembly members would have to stay in the system because they couldn't elect out because a 90 day period

3/24/07 9:46:49 am

was missed? This makes no sense. If the administration is trying to fix an abuse, then prevent the abuse, but don't preclude all changes, both good and bad.

In summary, SB 125, and its companion HB 206, does introduce language to amend the statutes to reflect that we do in-fact have a consolidated plan, and that we should use both salary bases when setting rates. However, and quoting from a recent AML letter: Any legislation which leaves communities having to pay unaffordable rates for an unfunded liability which was not of our making, and which risks bankrupting communities, is not a concept we can accept. This 65/35 proposal is just that kind of legislation as it does not provide any component of predictability, stability, or affordability.

Given that I have this opportunity, and given that I had an opportunity to talk with David Teal on Monday, I'd like to take a very brief moment to make a couple of other comments dealing with other PERS legislation for your consideration. Consistent with, and in accord with the letter that came out from the AML on Tuesday, if the consolidation language from SB 125 could be added to the proposed House Committee Substitute for HB 95 & 96 I think we would be getting very close to shared solution that municipalities could live with and support. It is clear, and AML has consistently communicated, that its members firmly believe that an 85/15 splitting of the unfunded liability is about as fair as it is going to get. What is critical in this split is that they ended up, using the most current complete set of numbers available, with a rate that was affordable. Let me be clear, I am not saying it isn't a rate that hurts, but at least no member employer would go broke, and though different communities felt the State was responsible for an even higher percentage, the AML member employers agreed as a group to the rate that an 85/15 splitting of the unfunded liability generated, which was an 18.27% rate. For the Borough, who had a 22 year average rate of 4.17%, this is a huge increase 400 to 500% increase, but one the Mayor and Assembly were willing to accept to avoid a fight with the State.

Going back to the AML's 85/15 position, it was always known and understood that the unfunded obligation would be going up, and accordingly, the 18.27% rate for FY '08 would likely go up in future years to 19 point something or 20 point something percentage, and then level off. A flat 22% rate, though being higher than was expected in '08 or '09, does bring with it the AML elements of predictability and stability. Though 22% is very much pushing, and nearly penetrating the envelope of affordability, and is at the upper end of the level that makes it not worth municipalities getting into a fight with the State, it is I believe a number that everyone is equally unhappy about, but not so unhappy about that they'd seek judicial relief from it.

Further, I think the House Committee Substitute also gets using the DB and DC salary bases for setting the rate right, and great credit is given for getting the TRS rate down to the normal rate, projected at the 12.56%.

Mr. Chairman, committee members, let me add one more bit of information for you to ponder over and digest. I feel obligated to make sure that you are informed about this part of the PERS issue when you are considering legislation. Our Code, like the State's statutes are law. As the chief financial officer of the Borough, I hope you would concur that I am bound to adhere to the law, adhere to our Code. Specifically:

Fairbanks North Star Borough Code of Ordinance; 3.01.110 Preaudit of payables, states the following:

- A. The borough directors, other borough employees designated by the mayor and the superintendent of schools shall certify to the controller requisitions and requests for payment covering expenditures against their

respective appropriations. Such certification will attest that the requisition or request is legal, proper and is made for an amount not in excess of the sum then available for the purpose named therein.

- B. The chief financial officer shall enter all such requisitions or requests, after being certified as aforesaid, on the books of account of the borough.

Mr. Chairman, basically, I have been forced into a corner as the CFO and I am compelled and required by our Code to confront this issue, accordingly, I have drafted a memo to the Mayor on this issue, currently the draft concludes by saying:

*In accord with this provision of our Code, and the undisputed knowledge of how the Fairbanks North Star Borough's PERS assets, liabilities, unfunded balance, and therefore past service cost rate is calculated by/for the State, a certification that the Borough's past service cost PERS rate of 15.5% (as has been published for FY '08 by the State) is proper cannot be made.*

Accordingly, in my opinion, any billing from the State relating to any Borough PERS unfunded obligations cannot be legally paid. The Borough is not the only political subdivision that must be able to attest to, and certify the correctness of a bill before tax payer dollars are used to pay it. I can state with great conviction, that I for one, would like to not be forced into finishing that memo nor having to transmit that memo!

Mr. Chairman, members of the committee, and all members of the legislature for that matter, it is my very great hope that you have heard my words, and my message today. I sought to be direct and transparent, and to offend no one today, and I most graciously apologize if I did. Many have worked hard on the legislation before this body today, and on the other PERS legislation not specifically discussed today, and I most respectfully acknowledge those efforts, and that work, and I say thank you. But at the end of the day, all of that work will have been for naught if even one member employer ends up fiscally incapacitated because we, and I mean collectively we, failed to get the final legislation right. For my part, I will have failed to have spoken the words necessary to convey not only the Borough's message, but other municipality's message to this body, and put simply, in the end its about the rate.

Mr. Chair, committee members, thank you for the opportunity to speak today. If I can do anything to assist this body in bringing forth, and adopting, legislation wherein everyone is a little unhappy, but wherein all employers will stay fiscally viable and be able to continue to provide their programs and services, I stand ready to assist in any way I can. Thank you kindly for your time today, this concludes my comments.

April 28, 2007

Senator Bert Stedman, Co-Chair,  
Senate Finance Committee;  
Senator Lyman Hoffman, Co-Chair  
Senate Finance Committee;  
And Senate Finance Committee Members

Re: SB 125 Pers/Ters

Dear Senator Stedman, Senator Hoffman and Committee Members,

First, I would like to extend to all members of the Senate Finance Committee my appreciation for the time and thought that has gone into resolution of one of the key financial issues facing Alaska's communities/ municipalities today.

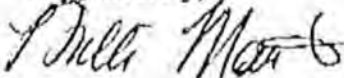
Although I have fully supported the AML position of 85/15, I believe the suggestions of the 22% of salary is an affordable amount that the Kenai Peninsula Borough can manage. We are just starting the budget process, and the current percentage, in my view, is causing tremendous hardship.

What I feel is needed, for the benefit of my property owners who are being asked time and again to pick up the short fall of which we were not responsible, the 22%, if that were a given for each year in the future, that is do-able.

I know there is a lot of discussion yet to go. But, I support the efforts toward the 22% of salary as the portion for municipalities to contribute to Pers/Ters.

Thank you. And thank you again, for all your time and efforts.

Very sincerely,



Milli Martin  
P.O. Box 2652  
Homer, AK 99603  
907-235-6652  
e-mail: millimom@xyz.net

PO Box 1603  
Petersburg, AK 99833  
April 28, 2007

In regards to: SB 125

Senator Bert Stedman, Committee Co-chair and Finance committee;

Dear Sirs:

It was with gravest concern that I read Governor Palin's proposal to shift the burden of cost for the PERS shortfall to municipal employers. My employer provides an extremely high quality of health care in an isolated and sometimes difficult setting. This is made possible because of the caliber of professional staff they have been able to recruit.

The governor's plan to **shift costs to small rural entities** to mediate the retirement shortfall will place an **extraordinary burden** on communities such as Petersburg. Such a switch would overwhelm the financial resources of our facility and withdrawal from PERS would be a likely consequence.

If this were to occur Petersburg Medical Center would no longer have an attractive benefit package to offer professionals in the health care field. We could no longer provide the draw to our beautiful but remote setting that has enabled us to reach and maintain our high standard.

In addition, professional employees such as myself who have made a commitment to our community and its service would be forced to seek employment elsewhere in order to complete our PERS program and ensure our own security in retirement. This would pull from here and other small communities an extremely necessary resource.

I want to see the committee and Governor Palin explore an **alternative plan** such as a state wide sales tax or income tax that **would include the areas of our state's highest population and not target our smallest communities** with undue hardships that they are unable to bear.

Respectfully yours,



Sharon M Hunter RN, BSN, CWCN  
Home Health Manager  
Petersburg Medical Center Home Health Agency

For the record, my name is Shana Crondahl, and I am testifying on behalf of the Alaska Municipal League.

Senator Stedman, Senator Hoffman, and members of the committee, thank you for the opportunity to testify today on SB 125.

AML supports amending state statutes to reflect that PERS has been managed as a consolidated plan. SB 125 makes the changes to statutes necessary to accomplish that. Cost sharing resolves some of the accounting issues currently plaguing the system that will otherwise be very difficult for PERS employers to come to agreement on.

AML also supports a uniform consolidated normal cost rate and a provision to amortize the unfunded actuarial accrued liability (UAAL).

While we understand that the governor's proposal to pay 65% of the unfunded liability as of June 30, 2006 is just a starting point for negotiations, we urge you to remember that ultimately the amount the state pays for will come down to just one thing: what communities can afford.

If the normal cost rate plus the amortization rate on the unfunded actuarial accrued liability (UAAL) exceeds what communities have the ability to pay, which we think it will at the proposed rate of 65%, local governments will be unable to provide for the basic needs of citizens, and the state will be forced to step in.

I would also like to point out that 65% of the unfunded liability as of June 30, 2006 is not actually 65% of the total unfunded liability. The unfunded liability has increased since June 30, 2006, and will continue to increase.

Each year the unfunded liability is recomputed. With a set date in SB 125 – June 30, 2006, upon which the state's share will continue to be computed, we may end up in a situation where all the other employers' liabilities will continue to rise, while the state's share remains a fixed amount.

Let's find a way to avoid this scenario, so we're not back here at the table again next year. I commend you for your efforts to address this very difficult issue.

3/21/07 10:02:14 AM

# STATE OF ALASKA

## DEPARTMENT OF ADMINISTRATION

OFFICE OF THE COMMISSIONER

SARAH PALIN, GOVERNOR

P.O. BOX 110200  
JUNEAU, ALASKA 99811-0200  
PHONE: (907) 465-2200  
FAX: (907) 465-2135

April 30, 2007

The Honorable Bert Stedman  
Co-Chair, Senate Finance Committee  
Alaska State Capitol  
Juneau AK 99801

Dear Senator Stedman:

These are answers to issues raised in the April 23 hearing on SB 125 by members and by representatives of local governments who were online.

1. The appeal to the Office of Administrative Hearings (OAH) that I believe Senator Elton referred to is the appeal of the classification of community service officers (Juneau appealed the division's determination that the community service officers were erroneously reported as peace officers with 20-year retirement and higher contributions, when they should be in the "all other" classification, with 30-year retirement and regular contributions). This is not the kind of "classification" that will be affected by the 90-day period for addition or termination of coverage of classifications of employees in transition section 19 of the Senate Finance Committee's CS for SB 125. Amendment of a participation agreement to add or remove a covered group will not have an affect on our appeals with OAH. Members have vested rights upon entry into the system and any change made to a participation agreement would affect participation prospectively only.

2. Recognized past service is service performed by an employee for the employer before the employer joins the PERS or before the employer adds the covered group. When political subdivisions agree to recognize past service of their employees in their PERS participation agreements, this creates a past service liability. Under the current system, a political subdivision must consider the cost of recognizing past service. Going to a cost share system, a political subdivision would have no incentive not to recognize past service during the 90-day transition period if it could just immediately transfer liability for the past service to other employers - primarily the State. Subsection (b) of the transition provision in section 19 prevents this.

3. Military service is a type of service purchase initiated by PERS members when they vest to buy qualified military service prior to entry into the PERS. The member pays 8.5% of their annualized vesting year, plus interest. The employer subsidizes the rest of the cost. Military service cannot be used to qualify for retirement eligibility, but Tier III PERS members may use it to qualify for the 10-year credited service for health insurance if the indebtedness is paid in full. Under the cost share, all employers would share in the portion of the cost that is subsidized. The right of Defined Benefit plan members to claim military service is not affected by SB 125.

Thank you for the opportunity to respond to these issues. If you have additional questions, please contact me.

Sincerely,



Annette Kreitzer  
Commissioner

# STATE OF ALASKA

## DEPARTMENT OF ADMINISTRATION

OFFICE OF THE COMMISSIONER

SB 125

SARAH PALIN, GOVERNOR

P.O. BOX 110200  
JUNEAU, ALASKA 99811-0200  
PHONE: (907) 465-2200  
FAX: (907) 465-2135

April 30, 2007

The Honorable Bert Stedman  
Co-Chairman, Senate Finance Committee  
Alaska State Capitol  
Juneau AK 99801

Dear Senator Stedman:

Two questions were asked at the Senate Finance Committee hearing Saturday, April 28 that require follow-up.

*Senator Elton asked whether appealing through the Office of Administrative Hearings (OAH) would cost the political subdivisions which have funds "claimed" by the State for nonpayment of their Public Employee Retirement System (PERS) obligation.*

OAH does not charge appellants for a hearing. In this instance, since the question would be whether the State Division of Retirement & Benefits (through the Department) should have claimed monies destined for a non-paying community, it seems unreasonable for the PERS to pay the cost of the hearing. It is also anticipated that this would be a rare event. Therefore, I believe the cost would be allocated to the general fund portion of the OAH's budget.

*Senator Thomas asked what would happen if someone else assumed liability for the PERS debt - he raised the possibility that a buyer of a municipally owned utility could assume the debt and then renege on it.*

The buyer would have to be a public organization or municipality. The plan would not allow a private sector employer to assume any liability in the plan. The municipality would continue to owe the debt until paid.

Thank you for the opportunity to respond to these questions. Please contact me if you need additional information.

Sincerely,

  
Annette Kretzler  
Commissioner

**SB 125**

**FREE**

**CONF.**

**COMM.**

**SFIN**

**FILE**

Analysis of Changes  
FCC CS SB 125 vs. HCS CSSB 125(FIN)

Feb 29, 2008

FCC CS SB 125 (Ver R)		HCS CSSB 125(FIN)
Bill Section	Change	Corresponding Bill Section
Title	<ul style="list-style-type: none"> <li>No Change</li> </ul>	Title
Sec. 1	<b>Intent Language</b> <ul style="list-style-type: none"> <li>Adds intent language to clarify that the legislature intends to provide grants to the "Heroes" and "Hard Harmless" employers through a separate appropriation vehicle</li> <li>\$13.261 Mill currently in the SB256 FY08 Supplemental Budget to accomplish this.</li> </ul>	N/A - New
Sec. 2	<b>AS 09.17.070</b> <ul style="list-style-type: none"> <li>Drafting change - codify language that was written as uncodified in Sec. 27 of the current version of the bill.</li> <li>Language deals with handling of damage awards</li> </ul>	Sec. 27 - Modified
Sec. 3 - 4	<b>AS 14.25.070 &amp; AS 14.25.085</b> <ul style="list-style-type: none"> <li>No Change</li> </ul>	Sec. 1 - 2
Sec. 5	<b>AS 14.25.087</b> <ul style="list-style-type: none"> <li>Adds SB 123 conforming language to clarify that medical contributions shall be deposited in the Alaska Retiree Health Care trust</li> </ul>	Sec. 3 - Modified
N/A	<ul style="list-style-type: none"> <li>Passage of SB 123 makes this section unnecessary</li> </ul>	Sec. 4 - Deleted
Sec. 6 - 8	<b>AS 14.25.220, AS 14.25.350(d), AS 39.35.100</b> <ul style="list-style-type: none"> <li>No Change</li> </ul>	Sec. 5 - 7
N/A	<b>AS 39.35.115</b> <ul style="list-style-type: none"> <li>Passage of SB 123 makes this section unnecessary</li> </ul>	Sec. 8 - Deleted
Sec. 9 - 10	<b>AS 39.35.125(a), AS 39.35.160(c)</b> <ul style="list-style-type: none"> <li>No change</li> </ul>	Sec. 9 - 10
Sec. 11	<b>AS 39.35.255</b> <ul style="list-style-type: none"> <li>Changes the payroll "floor" used in calculations from FY07 to the FY08 fiscal year</li> <li>Change required due to 1-year delay of bill passage.</li> </ul>	Sec. 11 - Modified

**Analysis of Changes**  
*FCC CS SB 125 vs. HCS CSSB 125(FIN)*

Feb 29, 2008

FCC CS SB 125 (Ver R)		HCS CSSB 125(FIN)
Bill Section	Change	Corresponding Bill Section
Sec. 12	AS 39.35.280 <ul style="list-style-type: none"> <li>No Change</li> </ul>	Sec. 12
Sec. 13	AS 39.35.282 <ul style="list-style-type: none"> <li>Adds SB 123 conforming language to clarify that medical contributions shall be deposited in the Alaska Retiree Health Care trust</li> </ul>	Sec. 13
N/A	<ul style="list-style-type: none"> <li>Passage of SB 123 makes this section unnecessary</li> </ul>	Sec. 14 - Deleted
Sec. 14	AS 39.35.520(a) <ul style="list-style-type: none"> <li>No Change</li> </ul>	Sec. 15
Sec. 15	AS 39.35.610 (b) <ul style="list-style-type: none"> <li>Bill section changed to conform with language previously adopted in SB 123</li> </ul>	Sec. 16 - Modified
Sec. 16	AS 39.35.615 (a) <ul style="list-style-type: none"> <li>No Change</li> </ul>	Sec. 17
N/A	AS 39.35.615 (l) <ul style="list-style-type: none"> <li>Subsection was repealed in SB 123</li> </ul>	Sec. 18 - Deleted
N/A	AS 39.35.620 (h) <ul style="list-style-type: none"> <li>Subsection was repealed in SB 123</li> </ul>	Sec. 19 - Deleted
Sec. 17	AS 39.35.615 (i) <ul style="list-style-type: none"> <li>New subsection (i) which contains relevant language from subsection (l) repealed in SB 123</li> </ul>	N/A – New
Sec. 18	AS 39.35.620 (k) <ul style="list-style-type: none"> <li>New subsection (k) which contains relevant language from subsection (h) repealed in SB 123</li> </ul>	N/A – New
Sec. 19	AS 39.35 <ul style="list-style-type: none"> <li>Changes the payroll “floor” used in termination cost calculations from FY07 to the FY08 fiscal year</li> <li>Change required due to 1-year delay of bill passage.</li> </ul>	Sec. 20 - Modified

Analysis of Changes  
FCC CS SB 125 vs. HCS CSSB 125(FIN)

Feb 29, 2008

FCC CS SB 125 (Ver R) Bill Section	Change	HCS CSSB 125(FIN) Corresponding Bill Section
Sec. 20 - 21	AS 39.35.650 and AS 39.35.680 <ul style="list-style-type: none"> <li>• No Change</li> </ul>	Sec. 21 - 22
Sec. 22	AS 39.35.725(a) <ul style="list-style-type: none"> <li>• Updates "Catch up" provision to remove statutory references that where in conflict between SB 123 and SB 125.</li> <li>• "Catch up" provision dealt with elected officials participating in the PERS Defined Benefit Plan</li> </ul>	N/A - New
Sec. 23	AS 39.35.750(d) <ul style="list-style-type: none"> <li>• No Change</li> </ul>	Sec. 23
Sec. 24	Repeals <ul style="list-style-type: none"> <li>• Modifies current Repealer section to conform with SB 123</li> </ul>	Sec. 24 - Modified
N/A	Conditional Repeals related to SB 123 <ul style="list-style-type: none"> <li>• Section no longer necessary due to the passage of SB 123</li> </ul>	Sec. 25 - Deleted
N/A	Transition Language <ul style="list-style-type: none"> <li>• Removes FY 09 - FY 12 hold harmless contribution rates for those PERS employers whose FY 09 board adopted rate is currently below 22%</li> <li>• Legislature intent is to provide grants to the "Heroes" and "Hard Harmless" employers through a separate appropriation vehicle</li> <li>• \$13.261 Mill currently in the SB256 FY08 Supplemental Budget to accomplish this</li> </ul>	Sec. 26 - Deleted
N/A	Uncodified Law <ul style="list-style-type: none"> <li>• Moved to Sec. 2 of new CS</li> </ul>	Sec. 27 - Modified
N/A	Uncodified Law <ul style="list-style-type: none"> <li>• Removes uncodified law language dealing with elected officials "Catch up" provision</li> </ul>	Sec. 28 - Deleted
Sec. 25	Transitional Regulations <ul style="list-style-type: none"> <li>• No change</li> </ul>	Sec. 29

Analysis of Changes  
FCC CS SB 125 vs. HCS CSSB 125(FIN)

Feb 29, 2008

FCC CS SB 125 (Ver R)		HCS CSSB 125(FIN)
Bill Section	Change	Corresponding Bill Section
N/A	<b>Revisor's Instructions &amp; Conditional Lang</b> <ul style="list-style-type: none"><li>• These sections are no longer necessary due to the passage of SB 123 last session</li></ul>	Sec. 30 - 32 - Deleted
Sec. 26 - 27	<b>Effect Date Clauses</b> <ul style="list-style-type: none"><li>• Sec. 2 has immediate effective date</li><li>• Rest of bill has July 1, 2008 (FY09) effective date</li></ul>	Sec. 33 - 34 - Modified

Conference Committee on SB 125  
February 20, 2008  
HCS CS SB 125 (FIN)

- Substantive Changes Requiring Powers of Free Conference:
- Removing all references to SB 123 which become law June 7, 2007  
Both bills made adjustments to retirement system statutes and were traveling in tandem last year. Since SB 123 become law and SB 125 didn't, contingent references to SB 123 need to be removed.
- Updated Effective Date Clauses as a result of one year delay
- Remove "Catch up" provision dealing with elected officials participating in the PERS Defined Benefit Plan. This provision is no longer necessary.
- Due to one-year delay, must reconfigure contribution rate percentages for employers in the "Hold Harmless" category (current actuary rates below 22%) and the "Heroes" category (contributed excess amounts into the unfunded liability during 2005-2007) lists, based on most latest actuary report (June 30, 2006 data) and current FY07 payroll data.
- Restate employers' salary base floor from FY07 to FY08
- Restate fiscal year effective dates.

# ALASKA STATE LEGISLATURE



Official Business

February 20, 2008

The Honorable Lyda Green  
President  
Alaska State Senate  
Juneau, Alaska

The Honorable John Harris  
Speaker  
House of Representatives  
Juneau, Alaska

Dear Ms. President and Mr. Speaker,

The Conference Committee considering:

CS FOR SENATE BILL NO. 125(FIN)

"An Act relating to the accounting and payment of contributions under the retirement plans of the Public Employees' Retirement System of Alaska and the Teachers' Retirement System, to calculations of contributions under those retirement plans, and to participation in, and termination of and amendments to participation in, the defined benefit plans of those systems; relating to employer contributions to the health reimbursement arrangement plan; making conforming amendments; and providing for an effective date."

And

HOUSE CS FOR CS FOR SENATE BILL NO. 125(FIN)

"An Act relating to the accounting and payment of contributions under the retirement plans of the Public Employees' Retirement System of Alaska and the Teachers' Retirement System, to calculations of contributions under those retirement plans, and to participation in, and termination of and amendments to participation in, the defined benefit plans of those systems; relating to recovery of an award of damages or other recovery by those systems; relating to employer contributions to the health reimbursement arrangement plan; relating to participation in the public employees' defined contribution plan by certain elected officials; making conforming amendments; and providing for an effective date."

Has met and failed to reach agreement on SB 125, and furthermore feels that an agreement cannot be reached even with limited powers of free conference. Therefore, the Conference Committee on SB 125 respectfully requests that this Committee be discharged and a free conference committee be appointed.

SENATE MEMBERS:

\_\_\_\_\_  
Sen. Hoffman, Chair

\_\_\_\_\_  
Sen. Huggins

\_\_\_\_\_  
Sen. Bunde

HOUSE MEMBERS:

\_\_\_\_\_  
Rep. Meyer, Chair

\_\_\_\_\_  
Rep. Samuels

\_\_\_\_\_  
Rep. Kerttula



Official Business

# Alaska State Senate

## Conference Committee

### On SB 125

Mail Stop 3100  
State Capitol  
Juneau, Alaska 99801-1182

February 20, 2008

The Honorable Lyda Green  
President  
Alaska State Senate  
Juneau, Alaska

The Honorable John Harris  
Speaker  
House of Representatives  
Juneau, Alaska

Dear Ms. President and Mr. Speaker,

The Conference Committee considering:

CS FOR SENATE BILL NO. 125(FIN)

"An Act relating to the accounting and payment of contributions under the retirement plans of the Public Employees' Retirement System of Alaska and the Teachers' Retirement System, to calculations of contributions under those retirement plans, and to participation in, and termination of and amendments to participation in, the defined benefit plans of those systems; relating to employer contributions to the health reimbursement arrangement plan; making conforming amendments; and providing for an effective date."

And

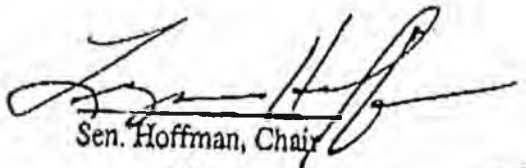
HOUSE CS FOR CS FOR SENATE BILL NO. 125(FIN)

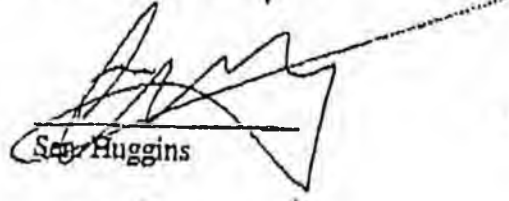
"An Act relating to the accounting and payment of contributions under the retirement plans of the Public Employees' Retirement System of Alaska and the Teachers' Retirement System, to calculations of contributions under those retirement plans, and to participation in, and termination of and amendments to participation in, the defined benefit plans of those systems; relating to recovery of an award of damages or other recovery by those systems; relating to employer contributions to the health reimbursement arrangement plan; relating to participation in the public employees' defined contribution plan by certain elected officials; making conforming amendments; and providing for an effective date."

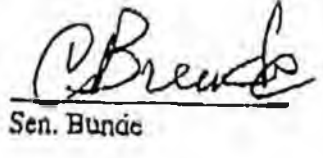
Has met and failed to reach agreement on SB 125, and furthermore feels that an agreement cannot be reached even with limited powers of free conference. Therefore the Conference Committee on SB 125 respectfully requests that this Committee be discharged and a free conference committee be appointed.



SENATE MEMBERS:

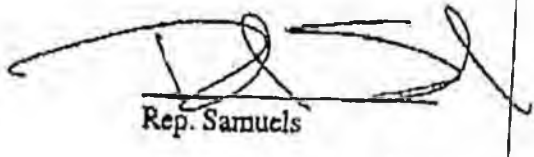
  
Sen. Hoffman, Chair

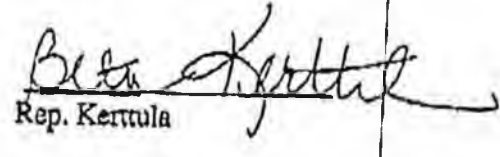
  
Sen. Huggins

  
Sen. Bunde

HOUSE MEMBERS:

  
Rep. Meyer, Chair

  
Rep. Samuels

  
Rep. Kertula

SENATE/HOUSE  
CONFERENCE COMMITTEE  
On SB 125  
February 20, 2008  
8:06 a.m.

CALL TO ORDER

Co-Chair Hoffman called the Conference Committee meeting to order at 8:06:34 AM.

MEMBERS PRESENT

Senator Lyman Hoffman, Chair  
Senator Charlie Huggins  
Senator Con Bunde

Representative Kevin Meyer, Chair  
Representative Ralph Samuels  
Representative Beth Kerttula

MEMBERS ABSENT

None

ALSO PRESENT

Annette Kreitzer, Commissioner, Department of Administration

PRESENT VIA TELECONFERENCE

None

SUMMARY

CSSB 125 (FIN)

"An Act relating to the accounting and payment of contributions under the retirement plans of the Public Employees' Retirement System of Alaska and the Teachers' Retirement System, to calculations of contributions under those retirement plans, and to participation in, and termination of and amendments to participation in, the defined benefit plans of those systems; relating to employer contributions to the health reimbursement arrangement plan; making conforming amendments; and providing for an effective date."

And

HCS CSSB 125 (FIN)

"An Act relating to the accounting and payment of contributions under the retirement plans of the Public Employees' Retirement System of Alaska and the Teachers' Retirement System, to calculations of

contributions under those retirement plans, and to participation in, and termination of and amendments to participation in, the defined benefit plans of those systems; relating to recovery of an award of damages or other recovery by those systems; relating to employer contributions to the health reimbursement arrangement plan; relating to participation in the public employees' defined contribution plan by certain elected officials; making conforming amendments; and providing for an effective date."

Co-Chair Hoffman noted that the two versions of SB 125 were before the Committee. He observed that that there were some minor changes that could be made under limited powers of free conference, but he recommended that a Free Conference Committee make these changes in order to expedite the passage of SB 125.

8:07:52 AM

ANNETTE KREITZER, COMMISSIONER, DEPARTMENT OF ADMINISTRATION, explained that the SB 123 technical amendments were passed. Sections from SB 123 were inserted into SB 125:

- Substantive Changes Requiring Powers of Free Conference:
- Removing all references to SB 123 which become law June 7, 2007  
Both bills made adjustments to retirement system statutes and were traveling in tandem last year. Since SB 123 become law and SB 125 didn't, contingent references to SB 123 need to be removed.
- Updated Effective Date Clauses as a result of one year delay
- Remove "Catch up" provision dealing with elected officials participating in the PERS Defined Benefit Plan. This provision is no longer necessary.
- Due to one-year delay, must reconfigure contribution rate percentages for employers in the "Hold Harmless" category (current actuary rates below 22%) and the "Heroes" category (contributed excess amounts into the unfunded liability during 2005-2007) lists, based on the latest actuary report (June 30, 2006 data) and current FY07 payroll data.
- Restate employers' salary base floor from FY07 to FY08

- Restate fiscal year effective dates.

8:09:34 AM

Co-Chair Hoffman related that it was his belief that this committee cannot reach agreement on the provisions of SB 125, without limited powers of free conference. Therefore, I would like to entertain a motion that we sign a letter addressed to the Speaker of the House of Representatives and the President of the Senate requesting that the Conference Committee on SB 125 be discharged and a free conference committee be appointed.

Senator Huggins MOVED to ADOPT a letter addressed to the Speaker of the House of Representatives and the President of the Senate requesting that the Conference Committee on SB 125 be discharged and a free conference committee be appointed.

There being NO OBJECTION, it was so ordered.

Senator Bunde questioned how action on pension obligation bonds would affect SB 125. Ms. Kreitzer did not think they would affect SB 125.

ADJOURNMENT

The meeting was adjourned at 8:11 AM.

Conference Committee on SB 125  
February 20, 2008  
HCS CS SB 125 (FIN)

- Substantive Changes Requiring Powers of Free Conference:
- Removing all references to SB 123 which become law June 7, 2007  
Both bills made adjustments to retirement system statutes and were traveling in tandem last year. Since SB 123 become law and SB 125 didn't, contingent references to SB 123 need to be removed.
- Updated Effective Date Clauses as a result of one year delay
- Remove "Catch up" provision dealing with elected officials participating in the PERS Defined Benefit Plan. This provision is no longer necessary.
- Due to one-year delay, must reconfigure contribution rate percentages for employers in the "Hold Harmless" category (current actuary rates below 22%) and the "Heroes" category (contributed excess amounts into the unfunded liability during 2005-2007) lists, based on most latest actuary report (June 30, 2006 data) and current FY07 payroll data.
- Restate employers' salary base floor from FY07 to FY08
- Restate fiscal year effective dates.

**SB**

**128**

**HFIN**

**FILE**

# HOUSE COMMITTEE REPORT

(7)

Date Referred to Committee: May 15, 2007

FURTHER REFERRALS:

Date of Committee Action: 5/16/07

The FINANCE Committee considered:

CSSB 128(FIN)

CS FOR SENATE BILL NO. 128(FIN)

ALCOHOL LOCAL OPTION PROVISIONS

"An Act relating to the sale, distribution, and purchase of alcoholic beverages; relating to a state database for records of certain purchases of alcoholic beverages; relating to the relocation of a license to sell alcoholic beverages; relating to procedures for local option elections for control of alcoholic beverages; and providing for an effective date."

Recommends it be replaced with  HCS or  CS for SB 128 (FIN)  
 For Senate Bills with new title:  Technical Title  New Title: HCR  Same Title  New Title

- attach amendments
- add new referral to \_\_\_\_\_ Committee
- Letter of Intent \_\_\_\_\_ Committee

List of Abbrev for Depts:  
 ADM  
 CED  
 COR  
 CRT  
 EED  
 DEC  
 DFG  
 GOV  
 HSS  
 LWF  
 LAW  
 LEG  
 MVA  
 DNR  
 DPS  
 REV  
 DOT  
 UA

<u>NEW FISCAL NOTES</u>				
<small>*Assigned by Chief Clerk's Office</small>				
List by Dept(s):	*FN#	Fi al	Indet.	Zero

<u>PREVIOUS FISCAL NOTES</u>				
List by Dept(s):	FN#	Fiscal	Indet.	Zero
DPS LAW	23	✓		✓

<u>Signing with recommendations</u>	Printed Last Name	DP	DNP	NR	AM
	Foster	X			
	Thomas NELSON	✓			
	CRAWFORD	✓			
	Joule	X			
	Hawker				*
Chair:	Mayor	X			
Chair:					

# FISCAL NOTE

STATE OF ALASKA  
2007 LEGISLATIVE SESSION

Fiscal Note Number: 2  
Bill Version: CSSB 128(JUD)  
(S) Publish Date: 5/2/07

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Public Safety  
Title: "An Act relating . . . to a state database for RDU: Statewide Support  
records of certain alcoholic purchases of alcoholic beverages . . ." Component: Alcoholic Beverage Control Board  
Sponsor: Senator Olson  
Requester: Senate Judiciary Committee Component No.: 2690

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services	61.9	61.9	61.9	61.9	61.9	61.9
Travel	7.6	7.6	7.6	7.6	7.6	7.6
Contractual	244.0	49.0	15.0	15.0	15.0	15.0
Supplies	1.0	1.0	1.0	1.0	1.0	1.0
Equipment	3.0					
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>317.5</b>	<b>119.5</b>	<b>85.5</b>	<b>85.5</b>	<b>85.5</b>	<b>85.5</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>						
-------------------------------	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts	317.5	119.5	85.5	85.5	85.5	85.5
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>317.5</b>	<b>119.5</b>	<b>85.5</b>	<b>85.5</b>	<b>85.5</b>	<b>85.5</b>

Estimate of any current year (FY2007) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY2008 budget proposal:

**POSITIONS**

Full-time	1	1	1	1	1	1
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

This fiscal note reflects the costs of building, maintaining, and monitoring the database set out in Sections 1-3 of the bill. This will include working closely with package stores that sell alcoholic beverages by written order. There is a high first year cost to reflect building the database. The database will then need to be maintained and monitored in subsequent years.

The estimated one-time cost for paying for a contractor to construct the database is \$269,000 over two years (\$235.0 in FY2008; \$34.0 in FY2009). Continuing costs include one new position, a Criminal Justice Technician I, Range 12, to perform data input, liaise with and train package store subscribers to the database,  
contd. on page 2

Prepared by: Director Doug Griffin Phone: 269-0351  
Division: Department of Public Safety Date/Time: 4/20/07 10:33 AM  
Approved by: Walt Monegan, Commissioner Date: 4/20/2007  
Agency: Department of Public Safety

FISCAL NOTE # 2

STATE OF ALASKA  
2007 LEGISLATIVE SESSION

BILL NO. CSSB 128(JUD)

ANALYSIS CONTINUATION

troubleshoot problems with the database, reconcile and audit records contained in the database, provide information to ABC Investigators, Alaska State Troopers, and municipal law enforcement agencies that may use written order records to support criminal investigations, and other duties associated with running this new program within the ABC Board operation. On-going contractual support to maintain the database is estimated at \$6,000 per year.

Section 15 of the bill calls for the creation, by the ABC Board, of alcoholic beverage delivery sites in Bethel and Kotzebue if requested by the respective local governing bodies. At this time, it is not known whether these delivery sites will be requested so they are not reflected in the fiscal note. Creation of these delivery sites will be very expensive. It will require leasing or building large buildings and staffing the delivery sites with state employees or contractors. The Department of Public Safety procurement section is presently assisting in research to see if adequate buildings are available for lease in Kotzebue and Bethel.

# FISCAL NOTE

STATE OF ALASKA  
2007 LEGISLATIVE SESSION

Fiscal Note Number: 3  
Bill Version: CSSB 128(JUD)  
(S) Publish Date: 5/2/07

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Law  
Title: An Act relating to alcohol sale, purchase and distribution RDU: Criminal  
Component: Criminal Justice Litigation  
Sponsor: SENATOR(S) OLSON  
Requester: SENATE JUDICIARY Component No. \_\_\_\_\_

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>						
-------------------------------	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2007) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

The bill would amend current statute to further regulate the sale, distribution and shipment of alcohol into damp communities across the state through the creation and use of a statewide database for records of purchase and shipment of alcoholic beverages to persons residing in such communities. It would also authorize the establishment of pilot community distribution sites in Kotzebue and Bethel to be operated by the ABC Board. The bill would also amend provisions of statute addressing the purchase of alcohol.

The Department of Law does not anticipate a fiscal impact from passage of this legislation.

Prepared by: Robert Meiners, Admin. Services Manager  
Division: Administrative Services Division  
Approved by: Robert Meiners for Falls Colberg, Attorney General  
Agency: Department of Law

Phone: 465-5427  
Date/Time: 4/20/07 4:03 PM  
Date: 4/20/2007

Alaska State Legislature  
HOUSE FINANCE COMMITTEE  
AGENDA

9:20

May 16, 2007 - Wednesday

9:00 a.m.

SB 128-ALCOHOL LOCAL OPTION PROVISIONS

✓ Ginny Austerman, Staff, Sen Olson.

✓ Anne Carpeneti, Assistant Attorney General,  
Legal Services Section-Juneau, Criminal  
Division, Department of Law  
DIANE KELLER, Mayor, City of Wasilla

✓ Casey Reynolds

✓ Suzanne C.

✓ Lauren J. Loren Rec'd,  
DPS

Jalis Colberg, att General  
✓ Griffen

CS SB 125 (FIN)

L.

Donny Olson

Amend. 1 - Meyer

Amend. 2 - Meyer

FN # 1 \* DPS

FN # 2 # DPS

FN # 3 Ø LAW

absent:  
Crawford  
Chenault  
Soltz  
Kelly

# Committee Action on Legislation

COMMITTEE

*H. Finance*

*N. Thomas*

SECRETARY

DATE:

*5-16-07*

PAGE

*1* OF *1*

SHORT TITLE

*CSSB 128 (FIN)*

ACTION TAKEN ON LEGISLATION

- Moved Out of Cmte
- Moved CS ( ) Out of Cmte
- Moved HCS (*FIN*) Out of Cmte
- Heard and Held
- Heard and Held; Assigned to Subcmte
- Scheduled but not Heard
- Failed to Move Out of Committee
- Waived Out of Committee

SHORT TITLE

ACTION TAKEN ON LEGISLATION

- Moved Out of Cmte
- Moved CS ( ) Out of Cmte
- Moved HCS ( ) Out of Cmte
- Heard and Held
- Heard and Held; Assigned to Subcmte
- Scheduled but not Heard
- Failed to Move Out of Committee
- Waived Out of Committee

SHORT TITLE

ACTION TAKEN ON LEGISLATION

- Moved Out of Cmte
- Moved CS ( ) Out of Cmte
- Moved HCS ( ) Out of Cmte
- Heard and Held
- Heard and Held; Assigned to Subcmte
- Scheduled but not Heard
- Failed to Move Out of Committee
- Waived Out of Committee

*adopted*

*5/16*

AMENDMENT

*2*

OFFERED IN THE HOUSE  
TO: CS SB 128 (FIN)

BY REPRESENTATIVE MEYER

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24

Insert new section:

AS 04.11.010(a) is amended to read:

(a) Except as provided in AS 04.11.020, a person may not knowingly manufacture, sell, offer for sale, possess for sale or barter, traffic in, or barter an alcoholic beverage unless under license or permit issued under this title.

Renumber remaining sections accordingly.

*adopted, as amended*

*5/16*

AMENDMENT \

OFFERED IN THE HOUSE  
TO: CS SB 128 (FIN)

BY REPRESENTATIVE MEYER

- 1 Page 1, line 9
- 2 After "and"
- 3 Delete "shipments" *made*
- 4 Insert "shipped"
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24

*replaced*

# FISCAL NOTE

STATE OF ALASKA  
2007 LEGISLATIVE SESSION

Fiscal Note Number: 1  
Bill Version: CSSB 128(CRA)  
(S) Publish Date: 3/28/07

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Public Safety  
Title "An Act relating . . . to a state database for RDU Statewide Support  
records of certain alcoholic purchases of alcoholic beverages . . ." Component Alcoholic Beverage Control Board  
Sponsor Senator Olson  
Requester Senate Community & Regional Affairs Component No. 2690

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>*****</b>	<b>*****</b>	<b>*****</b>	<b>*****</b>	<b>*****</b>	<b>*****</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>						
-------------------------------	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>*****</b>	<b>*****</b>	<b>*****</b>	<b>*****</b>	<b>*****</b>	<b>*****</b>

Estimate of any current year (FY2007) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY2008 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

SB 128 directs the Alcoholic Beverage Control Board, after consulting with package store licensees, to create and maintain a statewide database that contains a monthly record of the alcohol purchases by, and shipments made to, a person who resides in a municipality or established village that has restricted the sale of alcoholic beverages under AS 04.11.491 (a)(1), (2), or (3) or (b)(1) or (2). This information is to be available to a package store licensee, agent, or employee to consult before shipping, a law enforcement officer, a probation or parole officer, and the board only. Before alcohol is shipped, this "database maintained by the board" must be checked and information updated.

At this time, the ABC Board does not have sufficient information to estimate the cost of creating or maintaining the proposed database. Questions that need answers include:

Prepared by: Lauren Rice, Special Assistant Phone 465-4322  
Division Department of Public Safety Date/Time 3/27/07 10:53 AM  
Approved by: Walt Monegan, Commissioner Date 3/27/2007  
Agency Department of Public Safety

FISCAL NOTE # 1

STATE OF ALASKA  
2007 LEGISLATIVE SESSION

BILL NO. CSSB 128(CRA)

ANALYSIS CONTINUATION

- Does the industry have a database currently that might be used by the board to meet the requirements of this bill?
- How should the database be designed? What does the database need to capture?
- What kind of access and security controls for users need to be considered?
- Who will maintain these lists?
- What state security concerns will need to be addressed if database is available on the state Wide Area Network and is accessed by non state employees?
- Does the database need to be available and fully supported 24 hours a day 7 days a week?
- How much information will be in the database (size considerations)?
- Do all locations allow the same amount of alcohol to be imported or do different locations allow different amounts?
- How will person and address verification be addressed?

# Alaska State Legislature



Out of Session:  
Legislative Information Office  
P.O. Box 1630  
Nome, AK 99762-1630  
(907) 443-5555  
(907) 443-2162 (Fax)

In Session:  
State Capitol  
Juneau, AK 99801-1182  
(800) 597-3707  
(907) 465-3707  
(907) 465-4821 (Fax)

## SENATOR DONALD C. OLSON

### DISTRICT T

### Sponsor Statement Senate Bill 128

Alakanuk  
Ambler  
Anaktuvuk Pass  
Atkasuk  
Barrow  
Brovig Mission  
Browerville  
Buckland  
Chevak  
Deering  
Diomedea  
Elim  
Emmonak  
Gambell  
Golovin  
Hooper Bay  
Kaktovik  
Kiana  
Kivalina  
Kobuk  
Kotlik  
Kotzebue  
Koyuk  
Mountain Village  
Noatak  
Nome  
Noorvik  
Nuiqsut  
Numam Iqua  
Pilot Station  
Pitka's Point  
Point Hope  
Point Lay  
Savoonga  
Scammon Bay  
Selawik  
Shaktolik  
Shishmaref  
Shungnak  
St. Mary's  
St. Michael  
Stebbins  
Teller  
Unalakleet  
Wainwright  
Wales  
White Mountain

Alaska, along with many other states, finds itself in the position of needing to protect residents of rural communities from bootleggers of alcohol. Various alcohol abuse educational programs have been in place in rural Alaska for a number of years, but they have not served to halt the illegal importation and sale of alcohol to Alaska's rural communities. SB 128 curbs bootlegging by allowing the Alcoholic Beverage Control (ABC) Board, at the request of the communities of Bethel and Kotzebue, to establish pilot alcohol delivery sites. If opened, these sites would operate for a period of three years.

Senate Bill 128 is aimed at preventing bootleggers from ordering alcohol from numerous package stores in violation of the local option. Alcohol Local Option Provisions require that the ABC Board, in conjunction with package store licensees, create and maintain a database documenting the sale, distribution, and purchase of alcoholic beverages, ordered in writing, from persons residing in damp local option communities. The bill requires that a package store consult the database before filling a written order from a person residing in the local option area. The database will be available to package store licensees and their agents and employees, law enforcement officers, probation and parole officers, and the ABC Board. Information in the database will not be available to the public.

The bill also corrects an inadequacy in state liquor law that hampers the ability of large hub communities to attract investment in family oriented restaurants. There are now allowances for the transfer of a borough license to a city within the borough's borders in order to meet public demand and promote economic development. A maximum of three liquor licenses may be transferred within a borough in each decade.

SECTIONAL ANALYSIS  
SENATE BILL 128

Sections 1 and 2 require the Alaska Beverage Control (ABC) Board, after working with package store licensees, to create and maintain a database that keeps track of written orders for alcohol from persons residing in damp local option communities. A package store licensee must consult the database before filling a written order from the local option area to ensure that the customer has not already ordered the alcohol that the local option allows for that particular month. Any order filled must be immediately entered in the database. Failure to enter the information into the database is a class B misdemeanor. The information would be used to prevent bootleggers from ordering alcohol from numerous package stores in violation of the local option. The information in the database may only be used as specifically allowed by package stores and law enforcement; the information in the database would not be public information.

Section 3 prohibits a package store from shipping alcohol in response to a written order from a person residing in a local option area to any address other than the address of the person ordering the alcohol. However, if the person ordering the alcohol lives in an area where a community delivery site has been established, the alcohol must be shipped to the delivery site.

Sections 4 and 5 correct an omission in state law that does not allow for transfer of liquor licenses in large hub communities from the organized borough to within city limits of the community. For example, communities like Wasilla, Kenai, or North Pole may have only a few licenses within the city, but the cities serve large populations outside city limits. The bill would allow transfer of licenses available in the surrounding borough into the city center, to promote economic development in businesses such as family-oriented restaurants. The transfer would require the approval of the governing body of both the borough and the city.

Sections 6, 7, 11, 12 and 13 prohibit a person from purchasing alcoholic beverages in a local option area from another person who is selling the alcohol in violation of the local option. This conduct would be a class A misdemeanor. Under current law, AS 04.16.200(b), the person selling alcohol in violation of a local option would be guilty of a class C felony. Sections 6 and 11 include conforming amendments for the new provisions in Sections 7 and 12.

Section 8 extends the period after a local option has been adopted in a community from 12 to 24 months, before an election may be held to remove the option or to change the option to a less restrictive alternative. It would also provide that after a community has adopted a local option, an election removing the option or making it less restrictive may be held once in a 36 month period, rather than the 18 month period in current law.

Section 9 prohibits a person from purchasing alcohol by written order on behalf of another person who resides in a community that has elected to be dry. The penalty for this violation would be a class A misdemeanor.

Section 10 prohibits a person in a dry local option area from possessing ingredients or equipment with the intent to use them in the creation of home brew. This conduct would be a class A misdemeanor.

Sections 13 and 14 amend the forfeiture provisions for violation of AS 04.11.499. The law would allow for the forfeiture of alcohol that was purchased from a person who brought the alcohol into the community in violation of the community's local option. They would not allow for the forfeiture of an airplane or other vehicle upon conviction of a person for the purchase of alcohol from a bootlegger.

Section 15 would allow the ABC Board to establish pilot alcohol delivery sites in Bethel and Kotzebue, if the Board is requested by either community to do so. If opened, the sites would operate for a period of three years.

Sections 16 – 20 include an instruction to the revisor of statutes and effective dates.

## Informational Primer on State Liquor Law Effect on Local Economic Development



The City of Wasilla, in partnership with cities, boroughs, and developers from around the State is seeking to rectify an inadequacy in state liquor law that hampers the ability of hub communities to attract investment in high-end and family oriented restaurants. State law currently allows for 1 such license for every 3,000 residents of a community, so in communities such as Wasilla, Kenai, or North Pole there may be only 2-3 full liquor licenses allocated to go around for restaurants to use. The problem is these communities serve population areas outside of their city limits which are many times their own city population thus providing a large market for restaurants. Since so few licenses are allowed and there is no way to augment the number of liquor licenses allowed in a city the result is a lack of dining options, particularly high end or family oriented dining options in these communities and their surrounding areas.

The City of Wasilla itself has been approached by numerous higher end and family oriented dining groups interested in locating in our city, only to learn such location is impossible because a large component of their business model is the sale of wine and mixed drinks with dinner, which they cannot do here without an outlandish outlay of capital to secure an existing liquor license from within the closed liquor license market.

Instead of seeking to create more liquor licenses we feel it would be good public policy to use existing licenses more efficiently by making use of existing borough allocated licenses in hub cities within those boroughs.

We are suggesting the state liquor license law be changed in the following ways:

1. Restaurants within cities should be allowed to use beverage dispensary liquor licenses allocated to their boroughs when and only when both the city and borough agree to such a use.

*Since these licenses are allocated to the boroughs to serve their populations and the cities act as the commercial hub servicing these same populations it would seem logical that a borough could transfer one of its licenses to city control to meet borough commercial needs.*

2. Such transfers would only be allowed for restaurants transferring beverage dispensary liquor licenses.

*This legislation is not intended to allow for proliferation of package liquor stores, bars, or other liquor distribution venues outside of sit-down dining establishments.*

3. Such transfers should only be allowed in boroughs with a population of 40,000 or more.

*Since this legislation is intended to service the needs of larger suburban populations it seems logical to permit it only where such populations are large enough to warrant such action.*

Please contact Casey Reynolds, Economic Development Planner for the City of Wasilla at (907) 373-9030 to discuss our ideas and the process to change liquor license laws in Alaska.



**TANANA CHIEFS CONFERENCE, INC.**

122 FIRST AVENUE  
FAIRBANKS, ALASKA 99701-4897

March 27, 2007

Dear Members of the Senate Community and Regional Affairs,

Re: In support of SB 128

As you know, issues related to the abuse of alcohol remain of grave importance to the health, safety, and welfare to the people of the Tanana Chiefs Conference Region. Senate Bill 128 proposes to take several steps forward in improving the regulation of alcohol in our villages.

- We support the establishment of a statewide database designed to allow a package store licensee to access, reducing the amount of alcohol that might otherwise go into a restricted area under AS 04.11.150(g).
- The provision to prohibit shipment of alcohol to addresses other than where the purchaser lives is of critical importance to our villages. Too often a buyer will have alcohol shipped to a nearby village that does not have a prohibition, cause a great deal of trouble in that village, and then illegally imports that alcohol into their own village.
- Extending the timeframe that local option law may be conducted to a less restrictive option, and extending the timeframe for conducting an election more than once are both excellent amendments to existing law, allowing for more stability and encouraging healthy behaviors.

- We support the provision which adds a prohibition on possession of homebrew ingredients with intent to manufacture alcohol.
- We support the addition of a penalty for a person purchasing alcohol from another person who had transported it illegally into a village.

Thank you for consideration of our support for the measures in Senate Bill 128, and for your hard work during this legislative session.

Sincerely,

Jerry Isaac, President

Tanana Chiefs Conference

122 First Ave

Fairbanks, AK 99701

1-800-478-6822

Good Afternoon. Thank you for this opportunity to testify on SB 128. My name is Loretta Bullard. I am President of Kawerak, the regional non-profit consortium providing non-health services throughout the Bering Straits Region of Alaska. I also serve on the Alaska Rural Justice and Law Enforcement Commission representing Village Public Safety Officer contractors in the State.

Alcohol and substance abuse is the nucleus around which many of rural Alaska's social problems revolve. Alcohol is a contributing factor in many, if not the majority of suicides, homicides, child sexual abuse and physical neglect, domestic violence situations, and accidental death and injuries in rural Alaska. It is a 100% factor in children diagnosed to be FAS and FAE. I estimate that 90% of the Alaska Natives serving time in Alaska correctional facilities, are serving time for offenses conducted under the influence of alcohol, for consuming alcohol while on probation, or for importing or brewing alcohol in violation of local option laws. Alcohol abuse has a huge impact on Alaska families and on the State fiscal situation.

I am testifying in support of SB 128. Many of the provisions contained in SB 128 are practical solutions that were developed as part of the RJLC work group process. In this process, we had individuals from around the State of Alaska participate in work groups to develop options for consideration by the Commission, which if implemented, would improve rural justice and safety throughout the State of Alaska. Work group members included representatives from the Department of Law, Department of Public Safety, rural residents, Alaska Legal Services, Alaska Federation of Natives as well as several Commissioners.

Provisions contained in SB 128 will help to curtail the importation of alcohol into communities that have opted to be damp or dry under Alaska Statutes by:

- Creating a statewide data base that will enable package store outlets to confirm that duplicate shipments are not being shipped to any particular individual in violation of the limits imposed by law. Currently, an individual could order 20 shipments from 20 different outlets -- much of which would no doubt be bootlegged. This would greatly curtail bootlegging activity in rural Alaska.
- Requires that alcohol shipments only be shipped to a purchaser's home address. This prevents alcohol from being shipped to nearby damp or wet communities, and then subsequently being imported into dry communities in violation of the local option law.
- Providing the opportunity for Bethel and Kotzebue to set up Alcohol Beverage Delivery Site Pilot Projects. As we understand it, Barrow established such a site a number of years ago which has proven to be a huge success in controlling the amount and delivery of alcoholic beverages into their community.

The language would also limit the ability of a community to remove a local option or change to a less restrictive option -- such that a revote could not be conducted during the first 24 months after the local option was adopted or more than once in a 36 month period. This would give the community time to fully experience whether the local option

law is working for the community – and limit flip flopping due to organizing by very persuasive individuals at the local level.

The recommendations in SB 128 primarily address the supply side of the issue. I encourage the Alaska legislature to also make additional funds available to address the demand for and treatment of alcohol and substance abuse. Alaska families, communities and the State budget would benefit if the State proactively explored and set in place means to prevent and minimize the impact alcohol and substance abuse has on Alaska's communities and families, before problems occur – as opposed to locking up individuals after the fact.

While the provisions contained in SB 128 reflect only a small portion of the options that were developed, if implemented, they are a step in the right direction. Attached to my testimony, is a list of the options that were developed by the Alcohol workgroup for the consideration of the Commission. I wanted to note that there are many more options that have not yet been fully explored and recommended by the Commission, simply because we ran out of funding to continue our work.

Unfortunately, the Rural Justice and Law Enforcement Commission's funding got tied up in the federal budget "continuing resolution no-earmark" policy, such that the Commission has not received 2007 federal funds to continue our work. A request was submitted to the State Legislature in February by the Commission asking for stop gap funding to help the Commission continue its work until such time as federal funding again becomes available. Since its inception in 2004, the Commission has been funded by federal receipts. I hope that the legislature will see fit to support this very worthwhile commission.

Thank you for this opportunity to testify.

Alcohol Workgroup Options

Options relating to prevention

- 1. Alcohol abuse prevention .....1
- 2. Public information program.....1
- 3. Liaison in state government for tribal court juvenile proceedings .....2
- 4. Purely private interdiction.....3
- 5. Require private carriers to take reasonable steps to check for illegally shipped alcohol .....4

Options relating to local option laws

- 6. Revenue sharing incentives.....5
- 7. Change in local option time frames .....5
- 8. Change local option law to enable councils to adopt local options independently, subject to subsequent plebiscites .....6
- 9. Extend local option laws to encompass public intoxication .....6

Options relating to the Alcohol Beverage Control Board

- 10. Adjustment of ABC Board licensing fees for inflation .....7
- 11. Designated program receipt for ABC Board fines.....7
- 12. Adjust membership requirements for ABC Board.....8

Options relating to enforcement

- 13. Plastic bottles .....9
- 14. Database for shipments by written orders.....9
- 15. Cross-designations among state and federal agencies .....9
- 16. Prohibition on shipments to residents of dry villages.....9
- 17. Further modifications to drug and alcohol forfeiture laws .....10
- 18. Change in Drug Enforcement Administration policy with respect to forfeitures..13
- 19. Greater use of alcohol bracelet technology.....13
- 20. Create a "designated program receipt" from the state share of civil forfeitures....14
- 21. Amendment to AS 12.20.010.....15

Options relating to jurisdiction

- 22. Alaska Native Village Alcohol and Controlled Substance Interdiction Zones.....16
- 23. Village Circuit Courts.....19
- 24. State statute for full faith and credit to tribal court civil money judgments in alcohol cases .....22
- 25. Compacts .....25

**SB**

**128**

**SFIN**

**FILE**

# SENATE FINANCE COMMITTEE REPORT

REPORTED OUT  
 MAY 14 2007  
 SENATE FINANCE COMMITTEE

DATE: 5/2/07

FURTHER:

 DATE TURNED IN TO OFFICE: 14 May 2007
Finance Committee considered

SENATE BILL NO. 128

## SB 128 ALCOHOL LOCAL OPTION PROVISIONS

"An Act relating to the sale, distribution, and purchase of alcoholic beverages; relating to a state database for records of certain alcoholic purchases of alcoholic beverages; relating to procedures for local option elections for control of alcoholic beverages; and providing for an effective date."

and recommends:

- be replaced with  SCS or  CS SB 128 (FIN)  
 adopt previous  SCS or  CS \_\_\_\_\_ (\_\_\_\_\_)  
 attached amendment(s)  
 adopt \_\_\_\_\_ Letter of Intent  
 further referral to \_\_\_\_\_ Committee

**SENATE BILL:**  
 Same Title  
 New Title

---

**HOUSE BILL:**  
 Same Title  
 Technical Title Change  
 New Title w/ SCR # \_\_\_\_\_

### NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

### PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
Pub. Safety	4/20/07	317.5			#2
Law	4/20/07			✓	#3

 APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Elton	✓			
	Thomas			✓	
	Dyson	✓			
	Huggins	✓			
	Olson	✓			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	Stedman				✓

## FISCAL NOTE

STATE OF ALASKA  
2007 LEGISLATIVE SESSION

Fiscal Note Number: 2  
Bill Version: CSSB 128(JUD)  
(S) Publish Date: 5/2/07

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Public Safety  
Title: "An Act relating . . . to a state database for RDU: Statewide Support  
records of certain alcoholic purchases of alcoholic beverages . . ." Component: Alcoholic Beverage Control Board  
Sponsor: Senator Olson  
Requester: Senate Judiciary Committee Component No.: 2690

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services	61.9	61.9	61.9	61.9	61.9	61.9
Travel	7.6	7.6	7.6	7.6	7.6	7.6
Contractual	244.0	49.0	15.0	15.0	15.0	15.0
Supplies	1.0	1.0	1.0	1.0	1.0	1.0
Equipment	3.0					
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>317.5</b>	<b>119.5</b>	<b>85.5</b>	<b>85.5</b>	<b>85.5</b>	<b>85.5</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>						
-------------------------------	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts	317.5	119.5	85.5	85.5	85.5	85.5
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>317.5</b>	<b>119.5</b>	<b>85.5</b>	<b>85.5</b>	<b>85.5</b>	<b>85.5</b>

Estimate of any current year (FY2007) cost: 0.0  
Mark this box (X) if funding for this bill is included in the Governor's FY2008 budget proposal:

**POSITIONS**

Full-time	1	1	1	1	1	1
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

This fiscal note reflects the costs of building, maintaining, and monitoring the database set out in Sections 1-3 of the bill. This will include working closely with package stores that sell alcoholic beverages by written order. There is a high first year cost to reflect building the database. The database will then need to be maintained and monitored in subsequent years.

The estimated one-time cost for paying for a contractor to construct the database is \$269,000 over two years (\$235.0 in FY2008; \$34.0 in FY2009). Continuing costs include one new position, a Criminal Justice Technician I, Range 12, to perform data input, liaise with and train package store subscribers to the database.  
contd. on page 2

Prepared by: Director Doug Griffin Phone: 269-0351  
Division: Department of Public Safety Date/Time: 4/20/07 10:33 AM  
Approved by: Walt Monegan, Commissioner Date: 4/20/2007  
Agency: Department of Public Safety

FISCAL NOTE # 2

STATE OF ALASKA  
2007 LEGISLATIVE SESSION

BILL NO. CSSB 128(JUD)

ANALYSIS CONTINUATION

troubleshoot problems with the database, reconcile and audit records contained in the database, provide information to ABC Investigators, Alaska State Troopers, and municipal law enforcement agencies that may use written order records to support criminal investigations, and other duties associated with running this new program within the ABC Board operation. On-going contractual support to maintain the database is estimated at \$3,000 per year.

Section 15 of the bill calls for the creation, by the ABC Board, of alcoholic beverage delivery sites in Bethel and Kotzebue if requested by the respective local governing bodies. At this time, it is not known whether these delivery sites will be requested so they are not reflected in the fiscal note. Creation of these delivery sites will be very expensive. It will require leasing or building large buildings and staffing the delivery sites with state employees or contractors. The Department of Public Safety procurement section is presently assisting in research to see if adequate buildings are available for lease in Kotzebue and Bethel.

REPORTED OUT  
MAY 14 2007  
SENATE FINANCE COMMITTEE

# FISCAL NOTE

STATE OF ALASKA  
2007 LEGISLATIVE SESSION

Fiscal Note Number: 3  
Bill Version: CSSB 128(JUD)  
(S) Publi's Date: 5/2/07

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Law  
Title An Act relating to alcohol sale, purchase and RDU Criminal  
distribution Component Criminal Justice Litigation  
Sponsor SENATOR(S) OLSON  
Requester SENATE JUDICIARY Component No. \_\_\_\_\_

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>						
-------------------------------	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2007) cost: 0.0  
Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** *(Attach a separate page if necessary)*

The bill would amend current statute to further regulate the sale, distribution and shipment of alcohol into damp communities across the state through the creation and use of a statewide database for records of purchase and shipment of alcoholic beverages to persons residing in such communities. It would also authorize the establishment of pilot community distribution sites in Kotzebue and Bethel to be operated by the ABC Board. The bill would also amend provisions of statute addressing the purchase of alcohol.

The Department of Law does not anticipate a fiscal impact from passage of this legislation.

Prepared by: Robert Meiners, Admin. Services Manager Phone 465-5427  
Division: Administrative Services Division Date/Time 4/20/07 4:03 PM  
Approved by: Robert Meiners for Talis Colberg, Attorney General Date 4/20/2007  
Agency: Department of Law



Official Business

# Alaska State Senate

## Senate Finance Committee

\* RUSH \*

Scheduled for 4:00pm  
Floor Session  
FAX COVER SHEET

Man. Sec. 400  
State Capitol  
Juneau, Alaska 99801-182

DATE: 14 May 2007 TIME: 2:15 pm

TO: Legal Services

NUMBER OF PAGES, INCLUDING COVER SHEET: 1

FROM: ROBIN PAUL  
SENATE FINANCE CMTE. ASST. SECRETARY  
PHONE: 465-2618  
FAX: 465-2187

NOTES: Final Please

CS SB 128 (FIN) 25-LS0742K

Bullard 5/12/07

no changes

Thx

Wmndy

Adopted 5/14/07

WORK DRAFT

WORK DRAFT

WORK DRAFT

25-LS0742K  
Bullard  
5/12/07

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

BY

Offered:

Referred:

Sponsor(s): SENATOR OLSON

A BILL  
FOR AN ACT ENTITLED

1 "An Act relating to the sale, distribution, and purchase of alcoholic beverages; relating  
2 to a state database for records of certain purchases of alcoholic beverages; relating to  
3 the relocation of a license to sell alcoholic beverages; relating to procedures for local  
4 option elections for control of alcoholic beverages; and providing for an effective date."

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

6 \* Section 1. AS 04.06 is amended by adding a new section to read:

7       **Sec. 04.06.095. Statewide database.** The board, after consulting with package  
8 store licensees, shall create and maintain a statewide database that contains a monthly  
9 record of the alcohol purchases by, and shipments made to, a person who resides in a  
10 municipality or established village that has restricted the sale of alcoholic beverages  
11 under AS 04.11.491(a)(1), (2), or (3) or (b)(1) or (2). Except as otherwise specifically  
12 provided in this section, the information contained in the database is confidential and  
13 is not subject to inspection or copying under AS 40.25.110 - 40.25.220. Information in  
14 the database is available only to

- 1 (1) a package store licensee, agent, or employee to consult before  
2 shipping alcohol to a purchaser in a restricted area as provided in AS 04.11.150(g);  
3 (2) a law enforcement officer;  
4 (3) a probation or parole officer; and  
5 (4) the board.

6 \* Sec. 2. AS 04.11.150(g) is amended to read:

7 (g) If a shipment is to an area that has restricted the sale of alcoholic  
8 beverages under AS 04.11.491(a)(1), (2), or (3) or (b)(1) or (2), a package store  
9 licensee, agent, or employee may not ship to a purchaser more than 10 and one-half  
10 liters of distilled spirits, 24 liters or more of wine, or 12 gallons or more of malt  
11 beverages in a calendar month, or a lower amount of distilled spirits, wine, or malt  
12 beverages if the municipality or established village has adopted the lower amount by  
13 local option under AS 04.11.491(g). Before shipping alcohol to a purchaser in a  
14 restricted area, a package store licensee, agent, or employee shall consult the  
15 database maintained by the board under AS 04.06.095 for any alcoholic beverage  
16 shipments made to the purchaser during that calendar month by a package store  
17 licensee, agent, or employee. A package store licensee, agent, or employee may  
18 not ship an amount of alcoholic beverages to a purchaser in a restricted area  
19 that, when added to the amount already shipped, exceeds the amount authorized  
20 by this subsection. A package store licensee, agent, or employee shall immediately  
21 enter into the database the date and the amount of alcoholic beverages shipped to  
22 the purchaser. Failure to enter into the database the date and amount of alcoholic  
23 beverages shipped to the purchaser as required by this subsection is a class B  
24 misdemeanor.

25 \* Sec. 3. AS 04.11.150(h) is amended to read:

26 (h) A package store licensee, agent, or employee may not  
27 (1) divide or combine shipments of alcoholic beverages so as to  
28 circumvent the limitation imposed under (g) of this section; or  
29 (2) in response to a written order, ship alcohol to a purchaser at an  
30 address other than the address where the purchaser resides or, if the purchaser  
31 resides in a municipality or established village that has adopted a local option

1 under AS 04.11.491(a)(1), (2), or (3) or (b)(1) or (2) for which a community  
2 delivery site has been designated under AS 04.11.491(f), to an address other than  
3 that community delivery site except as provided by AS 04.11.491(f)(1) and (2).

4 \* Sec. 4. AS 04.11.400(a) is amended to read:

5 (a) Except as provided in (d) - (h), (k), [AND] (l), and (n) of this section, a  
6 new license may not be issued and the board may prohibit relocation of an existing  
7 license

8 (1) outside an established village, incorporated city, unified  
9 municipality, or organized borough if, after the issuance or relocation, there would be  
10 (A) more than one restaurant or eating place license for each 1,500 population or  
11 fraction of that population, or (B) more than one license of each other type, including  
12 licenses that have been issued under (d) or (e) of this section, for each 3,000  
13 population or fraction of that population, in a radius of five miles of the licensed  
14 premises, excluding the populations of established villages, incorporated cities, unified  
15 municipalities, and organized boroughs that are wholly or partly included within the  
16 radius;

17 (2) inside an established village, incorporated city, or unified  
18 municipality if, after the issuance or relocation, there would be inside the established  
19 village, incorporated city, or unified municipality

20 (A) more than one restaurant or eating place license for each  
21 1,500 population or fraction of that population; or

22 (B) more than one license of each other type, including licenses  
23 that have been issued under (d) or (e) of this section, for each 3,000 population  
24 or fraction of that population;

25 (3) inside an organized borough but outside an established village or  
26 incorporated city located within the borough [,] if, after the issuance or relocation  
27 there would be inside the borough, but outside the established villages and  
28 incorporated cities located within the borough,

29 (A) more than one restaurant or eating place license for each  
30 1,500 population or fraction of that population; or

31 (B) more than one license of each other type, including licenses

1 that have been issued under (d) or (e) of this section, for each 3,000 population  
2 or fraction of that population excluding the population of those established  
3 villages that have adopted a local option under AS 04.11.491(b)(1), (3), or (4),  
4 and excluding the population of incorporated cities located within the  
5 organized borough.

6 \* Sec. 5. AS 04.11.400 is amended by adding a new subsection to read:

7 (n) The board may allow the relocation of an existing beverage dispensary  
8 license under AS 04.11.090 to a restaurant, eating place, or hotel, motel, resort, or  
9 similar business that contains a restaurant or eating place, in a borough with a  
10 population of 60,000 or more if the governing body of the borough approves the  
11 relocation. However, if the relocation of the license is into or within an incorporated  
12 city in the borough, the board may not approve the relocation unless the governing  
13 bodies of both the borough and the incorporated city approve the relocation. The board  
14 may allow not more than three relocations in a borough under this subsection each  
15 decade. In this subsection, "decade" means each 10-year period beginning April 1 in a  
16 year ending in zero.

17 \* Sec. 6. AS 04.11.499 is amended to read:

18 **Sec. 04.11.499. Prohibition of importation after election.** If a majority of the  
19 voters vote to prohibit the importation of alcoholic beverages under  
20 AS 04.11.491(a)(4) or (5) or (b)(3) or (4), a person, beginning on the first day of the  
21 month following certification of the results of the election, may not knowingly send,  
22 transport, or bring an alcoholic beverage into the municipality or established village,  
23 unless the alcoholic beverage is sacramental wine to be used for bona fide religious  
24 purposes based on tenets or teachings of a church or religious body, is limited in  
25 quantity to the amount necessary for religious purposes, and is dispensed only for  
26 religious purposes by a person authorized by the church or religious body to dispense  
27 the sacramental wine. [IN THIS SECTION,

28 (1) "BRING" MEANS TO CARRY OR CONVEY OR TO ATTEMPT  
29 OR SOLICIT TO CARRY OR CONVEY;

30 (2) "SEND" MEANS TO CAUSE TO BE TAKEN OR  
31 DISTRIBUTED OR TO ATTEMPT OR SOLICIT TO CAUSE TO BE TAKEN OR

1 DISTRIBUTED, AND INCLUDES USE OF THE UNITED STATES POSTAL  
2 SERVICE;

3 (3) "TRANSPORT" MEANS TO SHIP BY ANY METHOD, AND  
4 INCLUDES DELIVERING OR TRANSFERRING OR ATTEMPTING OR  
5 SOLICITING TO DELIVER OR TRANSFER AN ALCOHOLIC BEVERAGE TO  
6 BE SHIPPED TO, DELIVERED TO, OR LEFT OR HELD FOR PICK UP BY ANY  
7 PERSON.]

8 \* Sec. 7. AS 04.11.499 is amended by adding new subsections to read:

9 (b) A person who resides in a municipality or established village that has  
10 adopted a local option under AS 04.11.491(a) or (b) may not purchase alcohol from  
11 another person who has sent, transported, or brought an alcoholic beverage into the  
12 municipality or established village in violation of the local option.

13 (c) In this section,

14 (1) "bring" means to carry or convey or to attempt or solicit to carry or  
15 convey

16 (2) "send" means to cause to be taken or distributed or to attempt or  
17 solicit to cause to be taken or distributed, and includes use of the United States Postal  
18 Service;

19 (3) "transport" means to ship by any method, and includes delivering  
20 or transferring or attempting or soliciting to deliver or transfer an alcoholic beverage  
21 to be shipped to, delivered to, or left or held for pickup by any person.

22 \* Sec. 8. AS 04.11.507(f) is amended to read:

23 (f) Notwithstanding any other provisions of law, an election under (b) or (c) of  
24 this section to remove a local option or to change to a less restrictive option than the  
25 local option previously adopted under AS 04.11.491 may not be conducted during the  
26 first 24 [12] months after the local option was adopted or more than once in a 36-  
27 month [AN 18-MONTH] period.

28 \* Sec. 9. AS 04.16.020 is amended by adding a new subsection to read:

29 (c) A person may not purchase alcohol by written order on behalf of another  
30 person who resides in a municipality or established village that has adopted a local  
31 option under AS 04.11.491(a)(5) or (b)(4).

1 \* **Sec. 10.** AS 04.16 is amended by adding a new section to read:

2           **Sec. 04.16.035. Possession of ingredients for homebrew in certain areas.** A  
3 person residing in an area that has adopted a local option to prohibit the sale,  
4 importation, and possession of alcoholic beverages under AS 04.11.491(a)(5) or (b)(4)  
5 may not possess sugar, artificial sugar, malt, yeast, or any other material or equipment  
6 with the intent to use the material or equipment to create an alcoholic beverage.

7 \* **Sec. 11.** AS 04.16.180(a) is amended to read:

8           (a) Except as provided in AS 04.11.015, 04.11.150(g), AS 04.16.025,  
9 04.16.050, 04.16.051, 04.16.200 - 04.16.210, and AS 04.21.065, a person who violates  
10 a provision of this title or a regulation adopted by the board is guilty, upon conviction,  
11 of a class A misdemeanor. Each violation is a separate offense.

12 \* **Sec. 12.** AS 04.16.200(e) is amended to read:

13           (e) A person who sends, transports, or brings alcoholic beverages into a  
14 municipality or established village in violation of AS 04.11.499(a) [AS 04.11.499] is,  
15 upon conviction,

16                   (1) guilty of a class A misdemeanor if the quantity of alcoholic  
17 beverages is less than 10 and one-half liters of distilled spirits, 24 liters of wine, or 12  
18 gallons of malt beverages; or

19                   (2) guilty of a class C felony if the quantity of alcoholic beverages is  
20 10 and one-half liters or more of distilled spirits, 24 liters or more of wine, or 12  
21 gallons or more of malt beverages.

22 \* **Sec. 13.** AS 04.16.200 is amended by adding a new subsection to read:

23           (f) A person who purchases alcohol in violation of AS 04.11.499(b) is guilty  
24 of a class A misdemeanor.

25 \* **Sec. 14.** AS 04.16.220(a) is amended to read:

26           (a) The following are subject to forfeiture:

27                   (1) alcoholic beverages manufactured, sold, offered for sale, possessed  
28 for sale, or bartered or exchanged for goods and services in this state in violation of  
29 AS 04.11.010; alcoholic beverages possessed, stocked, warehoused, or otherwise  
30 stored in violation of AS 04.21.060; alcoholic beverages sold or offered for sale in  
31 violation of a local option adopted under AS 04.11.491; alcoholic beverages

1 transported into the state and sold to persons not licensed under this chapter in  
2 violation of AS 04.16.170(b); alcoholic beverages transported in violation of  
3 AS 04.16.125;

4 (2) materials and equipment used in the manufacture, sale, offering for  
5 sale, possession for sale, or barter or exchange of alcoholic beverages for goods and  
6 services in this state in violation of AS 04.11.010; materials and equipment used in the  
7 stocking, warehousing, or storage of alcoholic beverages in violation of AS 04.21.060;  
8 materials and equipment used in the sale or offering for sale of an alcoholic beverage  
9 in an area in violation of a local option adopted under AS 04.11.491;

10 (3) aircraft, vehicles, or vessels used to transport or facilitate the  
11 transportation of

12 (A) alcoholic beverages manufactured, sold, offered for sale,  
13 possessed for sale, or bartered or exchanged for goods and services in this state  
14 in violation of AS 04.11.010;

15 (B) property stocked, warehoused, or otherwise stored in  
16 violation of AS 04.21.060;

17 (C) alcoholic beverages imported into a municipality or  
18 established village in violation of AS 04.11.499(a) [AS 04.11.499];

19 (4) alcoholic beverages found on licensed premises that do not bear  
20 federal excise stamps if excise stamps are required under federal law;

21 (5) alcoholic beverages, materials, or equipment used in violation of  
22 AS 04.16.175;

23 (6) money, securities, negotiable instruments, or other things of value  
24 used in financial transactions or items of value purchased from the proceeds derived  
25 from activity prohibited under AS 04.11.010 or in violation of a local option adopted  
26 under AS 04.11.491;

27 (7) a firearm used in furtherance of a violation of this title.

28 \* Sec. 15. AS 04.16.220(i) is amended to read:

29 (i) Upon conviction for a violation of AS 04.11.010 or 04.11.499(a)  
30 [04.11.499], if an aircraft, vehicle, or watercraft is subject to forfeiture under (a) of  
31 this section, the court shall, subject to remission to innocent parties under this section,

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31

- (1) order the forfeiture of an aircraft to the state;
- (2) order the forfeiture of a vehicle or watercraft if
  - (A) the defendant has a prior felony conviction for a violation of AS 11.41 or a similar law in another jurisdiction;
  - (B) the defendant is on felony probation or parole;
  - (C) the defendant has a prior conviction for violating AS 04.11.010 or 04.11.499(a) [04.11.499]; or
  - (D) the quantity of alcohol transported in violation of this title was twice the presumptive amounts in AS 04.11.010(c).

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

ALCOHOLIC BEVERAGE DELIVERY SITE PILOT PROJECT. (a) The Alcoholic Beverage Control Board established by AS 04.06.010 shall, if requested by the local governing body of Bethel, establish a site in Bethel and, if requested by the local governing body of Kotzebue, establish a site in Kotzebue for delivery of alcoholic beverages. The delivery sites shall be operated as sites designated under AS 04.11.491(f) are operated. Each site shall, if established, begin operation on July 1, 2008, and shall continue in operation as long as a local option under AS 04.11.491(a)(1), (2), or (3) or (b)(1) or (2) is in effect in each community. However, each site shall stop operation on June 30, 2011, regardless of whether a local option is in effect in each community on that date.

(b) The delivery site established in Bethel under (a) of this section shall serve as the delivery site under AS 04.11.494 for Bethel and shall be established after consultation with public, private, and nonprofit agencies in Bethel.

(c) The delivery site established in Kotzebue under (a) of this section shall serve as the delivery site under AS 04.11.494 for Kotzebue and shall be established after consultation with public, private, and nonprofit agencies in Kotzebue.

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

TRANSITIONAL PROVISION. For purposes of the limitation on relocation of licenses under AS 04.11.400(n), enacted by sec. 5 of this Act, the first "decade" shall extend from the effective date of sec. 6 of this Act through March 31, 2010.

1 \* **Sec. 18.** The uncodified law of the State of Alaska is amended by adding a new section to  
2 read:

3 REVISOR'S INSTRUCTIONS. The revisor of statutes is instructed to change the  
4 heading of AS 04.11.499 from "Prohibition of importation after election" to "Prohibition of  
5 importation or purchase after election."

6 \* **Sec. 19.** Section 16 of this Act is repealed.

7 \* **Sec. 20.** Section 2 of this Act takes effect July 1, 2008.

8 \* **Sec. 21.** Section 19 of this Act takes effect June 30, 2011.

9 \* **Sec. 22.** Except as provided in secs. 20 and 21 of this Act, this Act takes effect  
10 immediately under AS 01.10.070(c).

Out of Session:  
Legislative Information Office  
P.O. Box 1630  
Nome, AK 99762-1630  
(907) 443-5555  
(907) 443-2162 (Fax)

# Alaska State Legislature



In Session:  
State Capitol  
Juneau, AK 99801-1182  
(800) 597-3707  
(907) 465-3707  
(907) 465-4821 (Fax)

## SENATOR DONALD C. OLSON

### DISTRICT T

Alakanuk  
Ambler  
Anaktuvuk Pass  
Atkasuk  
Barrow  
Brovig Mission  
Browerville  
Buckland  
Chevak  
Deering  
Diomedea  
Elim  
Emmonak  
Gambell  
Golovin  
Hooper Bay  
Kaktovik  
Kiana  
Kivalina  
Kobuk  
Kotlik  
Kotzebue  
Koyuk  
Mountain Village  
Noatak  
Nome  
Noorvik  
Nuiqsut  
Nunam Iqua  
Pilot Station  
Pitka's Point  
Point Hope  
Point Lay  
Savoonga  
Scammon Bay  
Selawik  
Shaktolik  
Shishmaref  
Shungnak  
St. Mary's  
Togiak  
Tombigwa  
Teller  
Unalakleet  
Wainwright  
Wales  
White Mountain

### Sponsor Statement Senate Bill 128

Alaska, along with many other states, finds itself in the position of needing to protect residents of rural communities from bootleggers of alcohol. Various alcohol abuse educational programs have been in place in rural Alaska for a number of years, but they have not served to halt the illegal importation and sale of alcohol to Alaska's rural communities. SB 128 curbs bootlegging by allowing the Alcoholic Beverage Control (ABC) Board, at the request of the communities of Bethel and Kotzebue, to establish pilot alcohol delivery sites. If opened, these sites would operate for a period of three years.

Senate Bill 128 is aimed at preventing bootleggers from ordering alcohol from numerous package stores in violation of the local option. Alcohol Local Option Provisions require that the ABC Board, in conjunction with package store licensees, create and maintain a database documenting the sale, distribution, and purchase of alcoholic beverages, ordered in writing, from persons residing in damp local option communities. The bill requires that a package store consult the database before filling a written order from a person residing in the local option area. The database will be available to package store licensees and their agents and employees, law enforcement officers, probation and parole officers, and the ABC Board. Information in the database will not be available to the public.

The bill also corrects an inadequacy in state liquor law that hampers the ability of large hub communities to attract investment in family oriented restaurants. There are now allowances for the transfer of a borough license to a city within the borough's borders in order to meet public demand and promote economic development.

SECTIONAL ANALYSIS  
SENATE BILL 128

Sections 1 and 2 require the Alaska Beverage Control (ABC) Board, after working with package store licensees, to create and maintain a database that keeps track of written orders for alcohol from persons residing in damp local option communities. A package store licensee must consult the database before filling a written order from the local option area to ensure that the customer has not already ordered the alcohol that the local option allows for that particular month. Any order filled must be immediately entered in the database. Failure to enter the information into the database is a class B misdemeanor. The information would be used to prevent bootleggers from ordering alcohol from numerous package stores in violation of the local option. The information in the database may only be used as specifically allowed by package stores and law enforcement; the information in the database would not be public information.

Section 3 prohibits a package store from shipping alcohol in response to a written order from a person residing in a local option area to any address other than the address of the person ordering the alcohol. However, if the person ordering the alcohol lives in an area where a community delivery site has been established, the alcohol must be shipped to the delivery site.

Sections 4 and 5 correct an omission in state law that does not allow for transfer of liquor licenses in large hub communities from the organized borough to within city limits of the community. For example, communities like Wasilla, Kenai, or North Pole may have only a few licenses within the city, but the cities serve large populations outside city limits. The bill would allow transfer of licenses available in the surrounding borough into the city center, to promote economic development in businesses such as family-oriented restaurants. The transfer would require the approval of the governing body of both the borough and the city.

Sections 6, 7, 11, 12 and 13 prohibit a person from purchasing alcoholic beverages in a local option area from another person who is selling the alcohol in violation of the local option. This conduct would be a class A misdemeanor. Under current law, AS 04.16.200(b), the person selling alcohol in violation of a local option would be guilty of a class C felony. Sections 6 and 11 include conforming amendments for the new provisions in Sections 7 and 12.

Section 8 extends the period after a local option has been adopted in a community from 12 to 24 months, before an election may be held to remove the option or to change the option to a less restrictive alternative. It would also provide that after a community has adopted a local option, an election removing the option or making it less restrictive may be held once in a 36 month period, rather than the 18 month period in current law.

**Section 9** prohibits a person from purchasing alcohol by written order on behalf of another person who resides in a community that has elected to be dry. The penalty for this violation would be a class A misdemeanor.

**Section 10** prohibits a person in a dry local option area from possessing ingredients or equipment with the intent to use them in the creation of home brew. This conduct would be a class A misdemeanor.

**Sections 13 and 14** amend the forfeiture provisions for violation of AS 04.11.499. The law would allow for the forfeiture of alcohol that was purchased from a person who brought the alcohol into the community in violation of the community's local option. They would not allow for the forfeiture of an airplane or other vehicle upon conviction of a person for the purchase of alcohol from a bootlegger.

**Section 15** would allow the ABC Board to establish pilot alcohol delivery sites in Bethel and Kotzebue, if the Board is requested by either community to do so. If opened, the sites would operate for a period of three years.

**Sections 16 – 20** include an instruction to the revisor of statutes and effective dates.

(updated 05 13 07)

## Informational Primer on State Liquor Law Effect on Local Economic Development



The City of Wasilla, in partnership with cities, boroughs, and developers from around the State is seeking to rectify an inadequacy in state liquor law that hampers the ability of hub communities to attract investment in high-end and family oriented restaurants. State law currently allows for 1 such license for every 3,000 residents of a community, so in communities such as Wasilla, Kenai, or North Pole there may be only 2-3 full liquor licenses allocated to go around for restaurants to use. The problem is these communities serve population areas outside of their city limits which are many times their own city population thus providing a large market for restaurants. Since so few licenses are allowed and there is no way to augment the number of liquor licenses allowed in a city the result is a lack of dining options, particularly high end or family oriented dining options in these communities and their surrounding areas.

The City of Wasilla itself has been approached by numerous higher end and family oriented dining groups interested in locating in our city, only to learn such location is impossible because a large component of their business model is the sale of wine and mixed drinks with dinner, which they cannot do here without an outlandish outlay of capital to secure an existing liquor license from within the closed liquor license market.

Instead of seeking to create more liquor licenses we feel it would be good public policy to use existing licenses more efficiently by making use of existing borough allocated licenses in hub cities within those boroughs.

We are suggesting the state liquor license law be changed in the following ways:

1. Restaurants within cities should be allowed to use beverage dispensary liquor licenses allocated to their boroughs when and only when both the city and borough agree to such a use.

*Since these licenses are allocated to the boroughs to serve their populations and the cities act as the commercial hub servicing these same populations it would seem logical that a borough could transfer one of its licenses to city control to meet borough commercial needs.*

2. Such transfers would only be allowed for restaurants transferring beverage dispensary liquor licenses.

*This legislation is not intended to allow for proliferation of package liquor stores, bars, or other liquor distribution venues outside of sit-down dining establishments.*

3. Such transfers should only be allowed in boroughs with a population of 40,000 or more.

*Since this legislation is intended to service the needs of larger suburban populations it seems logical to permit it only where such populations are large enough to warrant such action.*

Please contact Casey Reynolds, Economic Development Planner for the City of Wasilla at (907) 373-9030 to discuss our ideas and the process to change liquor license laws in Alaska.



**TANANA CHIEFS CONFERENCE, INC.**

122 FIRST AVENUE  
FAIRBANKS, ALASKA 99701-4897

March 27, 2007

Dear Members of the Senate Community and Regional Affairs,

Re: In support of SB 128

As you know, issues related to the abuse of alcohol remain of grave importance to the health, safety, and welfare to the people of the Tanana Chiefs Conference Region. Senate Bill 128 proposes to take several steps forward in improving the regulation of alcohol in our villages.

- We support the establishment of a statewide database designed to allow a package store licensee to access, reducing the amount of alcohol that might otherwise go into a restricted area under AS 04.11.150(g).
- The provision to prohibit shipment of alcohol to addresses other than where the purchaser lives is of critical importance to our villages. Too often a buyer will have alcohol shipped to a nearby village that does not have a prohibition, cause a great deal of trouble in that village, and then illegally imports that alcohol into their own village.
- Extending the timeframe that local option law may be conducted to a less restrictive option, and extending the timeframe for conducting an election more than once are both excellent amendments to existing law, allowing for more stability and encouraging healthy behaviors.

- We support the provision which adds a prohibition on possession of homebrew ingredients with intent to manufacture alcohol.
- We support the addition of a penalty for a person purchasing alcohol from another person who had transported it illegally into a village.

Thank you for consideration of our support for the measures in Senate Bill 128, and for your hard work during this legislative session.

Sincerely,

Jerry Isaac, President

Tanana Chiefs Conference

122 First Ave

Fairbanks, AK 99701

1-800-478-6822

Good Afternoon. Thank you for this opportunity to testify on SB 128. My name is Loretta Bullard. I am President of Kawerak, the regional non-profit consortium providing non-health services throughout the Bering Straits Region of Alaska. I also serve on the Alaska Rural Justice and Law Enforcement Commission representing Village Public Safety Officer contractors in the State.

Alcohol and substance abuse is the nucleus around which many of rural Alaska's social problems revolve. Alcohol is a contributing factor in many, if not the majority of suicides, homicides, child sexual abuse and physical neglect, domestic violence situations, and accidental death and injuries in rural Alaska. It is a 100% factor in children diagnosed to be FAS and FAE. I estimate that 90% of the Alaska Natives serving time in Alaska correctional facilities, are serving time for offenses conducted under the influence of alcohol, for consuming alcohol while on probation, or for importing or brewing alcohol in violation of local option laws. Alcohol abuse has a huge impact on Alaska families and on the State fiscal situation.

I am testifying in support of SB 128. Many of the provisions contained in SB 128 are practical solutions that were developed as part of the RJLC work group process. In this process, we had individuals from around the State of Alaska participate in work groups to develop options for consideration by the Commission, which if implemented, would improve rural justice and safety throughout the State of Alaska. Work group members included representatives from the Department of Law, Department of Public Safety, rural residents, Alaska Legal Services, Alaska Federation of Natives as well as several Commissioners.

Provisions contained in SB 128 will help to curtail the importation of alcohol into communities that have opted to be damp or dry under Alaska Statutes by:

- Creating a statewide data base that will enable package store outlets to confirm that duplicate shipments are not being shipped to any particular individual in violation of the limits imposed by law. Currently, an individual could order 20 shipments from 20 different outlets – much of which would no doubt be bootlegged. This would greatly curtail bootlegging activity in rural Alaska.
- Requires that alcohol shipments only be shipped to a purchaser's home address. This prevents alcohol from being shipped to nearby damp or wet communities, and then subsequently being imported into dry communities in violation of the local option law.
- Providing the opportunity for Bethel and Kotzebue to set up Alcohol Beverage Delivery Site Pilot Projects. As we understand it, Barrow established such a site a number of years ago which has proven to be a huge success in controlling the amount and delivery of alcoholic beverages into their community.

The language would also limit the ability of a community to remove a local option or change to a less restrictive option – such that a revote could not be conducted during the first 24 months after the local option was adopted or more than once in a 36 month period. This would give the community time to fully experience whether the local option

law is working for the community – and limit flip flopping due to organizing by very persuasive individuals at the local level.

The recommendations in SB 128 primarily address the supply side of the issue. I encourage the Alaska legislature to also make additional funds available to address the demand for and treatment of alcohol and substance abuse. Alaska families, communities and the State budget would benefit if the State proactively explored and set in place means to prevent and minimize the impact alcohol and substance abuse has on Alaska's communities and families, before problems occur – as opposed to locking up individuals after the fact.

While the provisions contained in SB 128 reflect only a small portion of the options that were developed, if implemented, they are a step in the right direction. Attached to my testimony, is a list of the options that were developed by the Alcohol workgroup for the consideration of the Commission. I wanted to note that there are many more options that have not yet been fully explored and recommended by the Commission, simply because we ran out of funding to continue our work.

Unfortunately, the Rural Justice and Law Enforcement Commission's funding got tied up in the federal budget "continuing resolution no-earmark" policy, such that the Commission has not received 2007 federal funds to continue our work. A request was submitted to the State Legislature in February by the Commission asking for stop gap funding to help the Commission continue its work until such time as federal funding again becomes available. Since its inception in 2004, the Commission has been funded by federal receipts. I hope that the legislature will see fit to support this very worthwhile commission.

Thank you for this opportunity to testify.

Alcohol Workgroup Options

Options relating to prevention

- 1. Alcohol abuse prevention .....1
- 2. Public information program.....1
- 3. Liaison in state government for tribal court juvenile proceedings .....2
- 4. Purely private interdiction.....3
- 5. Require private carriers to take reasonable steps to check for illegally shipped alcohol .....4

Options relating to local option laws

- 6. Revenue sharing incentives.....5
- 7. Change in local option time frames .....5
- 8. Change local option law to enable councils to adopt local options independently, subject to subsequent plebiscites .....6
- 9. Extend local option laws to encompass public intoxication .....6

Options relating to the Alcohol Beverage Control Board

- 10. Adjustment of ABC Board licensing fees for inflation .....7
- 11. Designated program receipt for ABC Board fines.....7
- 12. Adjust membership requirements for ABC Board.....8

Options relating to enforcement

- 13. Plastic bottles .....9
- 14. Database for shipments by written orders.....9
- 15. Cross-designations among state and federal agencies .....9
- 16. Prohibition on shipments to residents of dry villages.....9
- 17. Further modifications to drug and alcohol forfeiture laws .....10
- 18. Change in Drug Enforcement Administration policy with respect to forfeitures..13
- 19. Greater use of alcohol bracelet technology.....13
- 20. Create a "designated program receipt" from the state share of civil forfeitures....14
- 21. Amendment to AS 12.20.010.....15

Options relating to jurisdiction

- 22. Alaska Native Village Alcohol and Controlled Substance Interdiction Zones.....16
- 23. Village Circuit Courts .....19
- 24. State statute for full faith and credit to tribal court civil money judgments in alcohol cases .....22
- 25. Compacts .....25

# SENATE COMMITTEE REPORT

DATE: 3/28/07

FURTHER: Finance

DATE TURNED  
IN TO OFFICE: 5/1/07

Judiciary Committee considered SENATE BILL NO. 128

## SB 128 ALCOHOL LOCAL OPTION PROVISIONS

"An Act relating to the sale, distribution, and purchase of alcoholic beverages; relating to a state database for records of certain alcoholic purchases of alcoholic beverages; relating to procedures for local option elections for control of alcoholic beverages; and providing for an effective date."

and recommends:

- be replaced with  SCS or  CS SB/28 (JUD)
- adopt previous  SCS or  CS ( )
- attached amendment(s)
- adopt \_\_\_\_\_ Letter of Intent
- further referral to \_\_\_\_\_ Committee

<b>SENATE BILL:</b>	
<input type="checkbox"/> Same Title	
<input checked="" type="checkbox"/> New Title	
<b>HOUSE BILL:</b>	
<input type="checkbox"/> Same Title	
<input type="checkbox"/> Technical Title Change	
<input type="checkbox"/> New Title w/ SCR # _____	

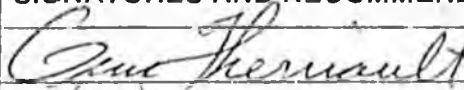

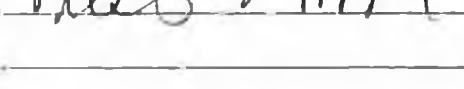

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#
DPS	4/20/07	✓			2
LAW	4/20/07			✓	3

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Theriault	✓			
	W. Elschowski			✓	
	McGuire	✓			
CHAIR: 	French			✓	

**SENATE COMMITTEE REPORT**  
**First Committee of Referral**

DATE: 3/19/07

FURTHER: Judiciary  
 Finance

Date of 5-Day Notice: March 22, 2007  
 (in accordance with Uniform Rule 23)

DATE TURNED  
 IN TO OFFICE: March 28, 2007

Community and Regional Affairs Committee considered SENATE BILL NO. 128

**SB 128 ALCOHOL LOCAL OPTION PROVISIONS**

"An Act relating to the sale, distribution, and purchase of alcoholic beverages; relating to a state database for records of certain alcoholic purchases of alcoholic beverages; relating to procedures for local option elections for control of alcoholic beverages; and providing for an effective date."

and recommends:

- be replaced with  SCS or  CS SB 128 (CRA)
- adopt previous  SCS or  CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt \_\_\_\_\_ Letter of Intent
- further referral to \_\_\_\_\_ Committee

<b>SENATE BILL:</b>	
<input type="checkbox"/>	Same Title
<input checked="" type="checkbox"/>	New Title
<hr/>	
<b>HOUSE BILL:</b>	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____

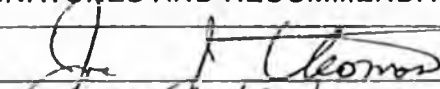

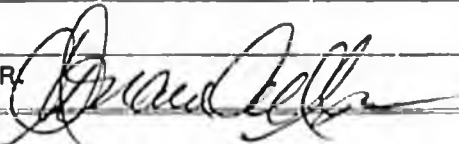
**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#
DPS	3/27/07		✓		1

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	Koukes	✓			
CHAIR: 	Olson	✓			