

ALASKA LEGISLATURE COMMITTEE FILES 1995-1996 8672

8528 HOUSE • COMMUNITY & REGIONAL AFFAIRS •

KACHEMAK CITY, ALASKA

P.O. BOX 958, (VIA) HOMER, ALASKA 99603
TELE. (907) 235-6697

RECEIVED
FEB 21 1995
ALASKA MUNICIPAL LEAGUE

February 13, 1995

The Honorable John Torgerson
District D
State Capitol
Juneau, AK 99801-1182

Dear Senator Torgerson:

RE: SB 20

The Council of the City of Kachemak has voted to support your Senate Bill 20 establishing the Alaska Municipal Basic Services Program.

Because AMBS would affect our city's Revenue Sharing and Municipal Assistance, we have examined a copy of SB 20 and sought advice on the subject.

Our conclusion is that we would receive the same or somewhat more funding, more reliably through simpler procedure. That sounds good.

Sincerely,



C. Neil McArthur
Mayor

CNM/his

cc: Representative Gail Phillips
✓ Alaska Municipal League

**CITY OF EEK
P.O. BOX 09
EEK, ALASKA
99578
(907)536-5129**

RESOLUTION 95-03

**A RESOLUTION SUPPORTING THE PASSAGE OF THE NEW ALASKA
MUNICIPAL SERVICES PROGRAM. REVISING THE STATE REVENUE
SHARINGS AND MUNICIPAL ASSISTANCES FOR THE MEMBERS OF
ALASKA MUNICIPAL LEAGUE**

**WHEREAS. The Eek City Council is a Local Government for the village of
Eek, under the Alaska Status, Title 29, and**

**WHEREAS. The Eek City Council is a member of the Alaska Municipal League,
by resolution 94-15, pays its annual Membership dues , and**

**WHEREAS. The Eek City Council receives funding from both the State Revenue
Sharing and Municipal Assistances, from the Department of
Community Regional Affairs, and**

**WHEREAS. The Eek City Council supports the passage of the new Alaska
Municipal Basic Services Program to replace the State Revenue
Sharing and the Municipal Assistances, and**

**NOW THEREFORE BE IT RESOLVED, that the Eek City Council cannot afford
yearly reductions to both the State Revenue Sharing and the
Municipal Assistances .**

**BE IT FURTHER RESOLVED, that the Eek City Council seeks ways to maintain
the State Revenue Sharings and Municipal assistance without
cuts in the future.**

PASS AND APPROVED on this 10th day of
January 1995.

Marie C. White
for Marie C. White - Mayor

ATTEST: *Fritz E. Petluska*
Fritz E. Petluska - City Clerk

Alakanuk City Council
P.O. BOX 167
ALAKANUK, ALASKA 99834
(907) 238-3313

February 6, 1995

Senator Al Adams
State Capitol, Senate
Capitol, Room 417
Juneau, Alaska 99801-110

Dear Senator Adams,

The City Council of the City of Alakanuk wishes to express its support for Senate Bill 10, the Alaska Municipal Basic Services Program (AMBS).

Our city, at present, is operating upon a budget that makes it extremely difficult to provide services needed for the residents. Should funds be cut further the present services offered could be threatened. Further reduction in funding could be a catastrophic consequence for all of the small villages of Alaska. As the cash economy grows and traditional methods of sustaining life are being used less, these loss of revenues can give limited means of caring for daily services.

Please accept our support for Senate Bill 10 and we urge your help in easing the financial dilemmas my villages are now experiencing.

Respectfully, City Council Members of the City of Alakanuk

Peter G. Black
Bob Phillips
Fred Augustine
Francis J. Dawson
Elizabeth Chikigak

ATTN: KEVIN RITCHIE AMC/VIA

OM: CITY OF ALAKANUK

- We will also be sending letter to Rep Rickard Foster

City of Atka

December 19, 1994

Alaska Municipal League
217 Second Street #200
Juneau, AK 99801

Dear Sirs:

Enclosed you will find a resolution from the Atka City Council endorsing the Alaska Municipal Basic Services Program to allocate shared State revenues. We very much support the concept of this program and will be glad to lend whatever additional support is within our capability to assure its passage.

Sincerely yours,

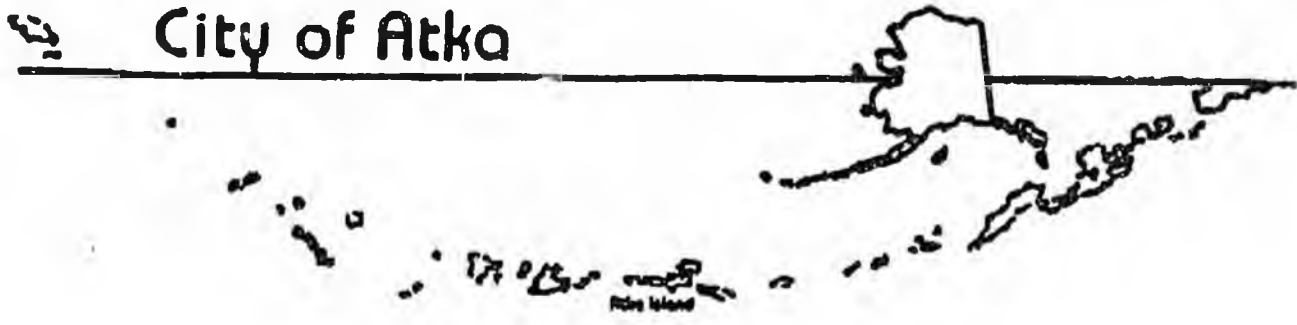
Mary C. Schultheis

Mary C. Schultheis
City Administrator

Attachement

RECEIVED
DEC 22 1994
ALASKA MUNICIPAL LEAGUE

City of Atka



RESOLUTION 95-205

A RESOLUTION OF THE ATKA CITY COUNCIL ENDORSING THE ALASKA MUNICIPAL BASIC SERVICES PROGRAM TO ALLOCATE SHARED STATE REVENUES

WHEREAS, municipal government are being required to provide an increasingly board range of basic services,

WHEREAS, many of these services are mandated but unfunded,

WHEREAS, State revenue sharing municipal assistance, the primary existing State programs for distributing shared revenue, have been severly cut over the past years,

WHEREAS, current programs are based on outdated formulas.

NOW, THEREFORE, BE IT RESOLVED THAT: the Atka City Council supports the Alaska Municipal Basic Services program as a means of allocaing shared State revenues to replace the existing State revenue sharing and municipal asistance programs

BE IT FURTHER RESOLVED THAT: the Council supports the proposed mininum entitlement of \$50,000 per municipality to help Alaska's smallest communities to remain financially viable and able to provide basic services

PASSED AND APPROVED BY A DULY CONSTITUTED QUORUM OF THE ATKA CITY COUNCIL THIS 19Th DAY OF DECEMBER, 1994.

SIGNED: Michael Anigarth
Mayor

ATTEST: Katherine Neuzoff
City Clerk



CITY OF EEK
P.O. BOX 09
EEK, ALASKA
99578
(907)536-5129

DATE January 11 1995

TO: Alaska Municipal League
Joint Insurance Association, Inc
217 second street, Suite 217
Juneau, Alaska 99801

FROM: Marie C. White
EEK City Council Mayor
P.O. Box 09
EEK, Alaska 99578

SUBJECT: Requesting a copy of the minutes of January 24-26, 1995

Dear Sir,

We are requesting a copy of your minutes for January 24-26, 1995, of the Alaska Conference of Mayors

Currently, the Eek City Council cannot afford to send a representative to attend the Alaska Conference of Mayors for January 24-26, 1995, due to lack of funds.

Enclosed is a resolution 95-02 to support the passage of the new Alaska Municipal Basic Services Program to replace the State Revenue Sharing and Municipal assistance, which is very important to this community.

If you should have any questions, please do not hesitate to contact us at the above address or phone number

Thank you for this notice

Sincerely
Marie C. White
Marie C. White
EEK City Council Mayor

cc.
office file

CITY OF EEK
P.O. BOX 09
EEK, ALASKA
99578
(907)536-5129

RESOLUTION 95-03

A RESOLUTION SUPPORTING THE PASSAGE OF THE NEW ALASKA MUNICIPAL SERVICES PROGRAM, REVISING THE STATE REVENUE SHARINGS AND MUNICIPAL ASSISTANCES FOR THE MEMBERS OF ALASKA MUNICIPAL LEAGUE

WHEREAS, The Eek City Council is a Local Government for the village of Eek, under the Alaska Statute Title 29, and

WHEREAS, The Eek City Council is a member of the Alaska Municipal League, by resolution 94-15, pays its annual Membership dues, and

WHEREAS, The Eek City Council receives funding from both the State Revenue Sharing and Municipal Assistances, from the Department of Community Regional Affairs, and

WHEREAS, The Eek City Council supports the passage of the new Alaska Municipal Basic Services Program to replace the State Revenue Sharing and the Municipal Assistances, and

NOW THEREFORE BE IT RESOLVED, that the Eek City Council cannot afford yearly expenditures to both the State Revenue Sharing and the Municipal Assistances

BE IT FURTHER RESOLVED, that the Eek City Council seeks ways to maintain the State Revenue Sharings and Municipal assistance without cuts in the future

PASS AND APPROVED 10th day of
January 1995

Morie C White
for Morie C White - Mayor

ATTEST *Fritz E Petuska*
Fritz E. Petuska - City Clerk

BUCKLAND CITY COUNCIL
P.O. BOX 49
BUCKLAND, ALASKA 99727
PH. # 494-2121
FAX # 494-2138

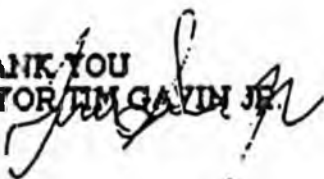
MAYOR TIM GAYN JR.
P.O. BOX 49
BUCKLAND, ALASKA 99727

ALASKA CONFERENCE OF MAYORS
JUNEAU SESSION

DEAR SIR3,

I AM SORRY I CANNOT MAKE IT TO THE JANUARY 24TH-25TH ALASKA CONFERENCE OF MAYORS DUE TO MEDICAL REASONS, BUT I AND THE REST OF THE COUNCIL MEMBERS HAVE APPOINTED VICE MAYOR NATHAN HADLEY SR. AND COUNCIL MEMBER LESTER HADLEY SR. TO REPRESENT THE CITY OF BUCKLAND. I WISH YOU LUCK ON YOUR ACTIONS IN THIS SESSION.

THANK YOU
MAYOR TIM GAYN JR.





City of Marshall

P.O. BOX 09 • MARSHALL, ALASKA 99585 • (907) 679-6215/6415

IMPACT STATEMENT

MUNICIPAL ASSISTANCE/REVENUE SHARING CUTS

THE STATE REVENUE SHARING ENTITLEMENT FOR THE CITY OF MARSHALL FOR FY 93 WAS \$32,236.00, FOR FY 94 WAS \$31,966.00 AND AT THE PRESENT TIME FOR FY 95 IS \$30,954.00. ALTHOUGH THERE WAS A SLIGHT INCREASE IN THE MUNICIPAL ASSISTANCE PROGRAM FROM \$16,465.00 IN FY 93 TO \$17,082.00 IN FY 94 THIS DID NOT REFLECT ON OUR BUDGET AS A SIGNIFICANT INCREASE. FIGURES FOR FY 95 ARE UNKNOWN AT THIS TIME. AFTER ALLOCATING SO MUCH PERCENTAGE FOR OUR ROAD MAINTENANCE, HEALTH FACILITY, ETC. EVERY YEAR WE HAVE TO TIGHTEN OUR BELT A LITTLE TIGHTER. PERMANENT-PART TIME POSITIONS' HOURS ARE REDUCED, VILLAGE POLICE OFFICER'S MONTHLY WAGE IS PUT ON FREEZE (PRESENTLY NO ONE HOLDS THIS POSITION BECAUSE OF A LOW PAY SCALE), AND MAINTENANCE FOR CITY BUILDINGS ARE PERFORMED ONLY WHEN NECESSARILY NEEDED. ROAD MAINTENANCE THIS WINTER HAS BEEN HIGHER THAN PREVIOUS WINTERS BECAUSE OF THE EXCESSIVE SNOWFALL WHICH HAS REALLY AFFECTED OUR BUDGET. THE HIGH COST OF GOODS AND SERVICES DELIVERED TO MARSHALL HAS A TREMENDOUS IMPACT ON OUR BUDGET. WINTER TRAIL MARKING IS NOT INCLUDED IN OUR BUDGET AND THIS IS A VERY NECESSARY PART OF LIFE IN THE BUSH. DONATIONS FOR WINTER TRAIL MARKING IS VERY MINIMAL. ANY FUTURE REDUCTIONS IN FUNDING WILL DRASTICALLY AFFECT CITY OPERATIONS.

PREPARED BY:
RAYMOND D. ALSTROM-MAYOR, CITY OF MARSHALL
19 JANUARY 1995

SB

42

Alaska State Legislature

Chairman,
Judiciary Committee

Vice Chairman,
Transportation Committee

Member,
Resources Committee
Western Legislative Forestry Task Force



State Capitol
Juneau, Alaska 99801-1182
(907) 465-3873
Fax: (907) 465-3922

352 Front Street
Ketchikan, Alaska 99901
(907) 225-8088
Fax: (907) 225-0713

Senator Robin L. Taylor

Sponsor Statement for SSSB 42 am

Stacking and unstacking of dungeness limited entry permits

In the First Session of the Nineteenth Alaska Legislature House Bill 107, the counterpart to Senate Bill 42 was passed to ensure that the Southeast Alaska Dungeness crab fishery would not open to entry by a flood of new entrants. This passed legislation represented a new method to limit a fishery.

Prior to the passage of HB 107 in the Senate, a consensus was reached among the people involved in this fishery. Fisherman who were adamant that limited entry be instituted in the traditional fashion agreed to a tiered system, if it had the stacking unstacking provision. That provision, which the original sponsor substitute represented, was the factor that convinced the majority of those involved in the fishery to support the tiered legislation.

Unfortunately, due to the imminent adjournment of the first session, there was not enough time to change the title on the House Bill to accomplish the stacking unstacking provision. Consequently, the bill was passed without that compromise provision. It was thought that it would be better to attain limited entry than to reopen the fishery to new entrants.

Sponsor substitute for Senate Bill 42 amended would permit a modification of the original compromise worked out by the involved parties to go forward. The modification allows a maximum of two permits to be combined or stacked. These permits would be issued as two separate gear cards and the fisherman would not be allowed to exceed the maximum legally allowed gear limitation set by the Board of Fisheries.

CFEC is supportive of the legislation. Parties that objected to the original sponsor substitute, such as the Southeast Alaska Dungeness Crabbers Association are supportive of the amended sponsor substitute. The Petersburg Vessel Owners Association has endorsed the legislation in its present form.

District A:

Hyder • Ketchikan • Kupreanof • Meyers Chuck • Petersburg • Saxman • Sitka • Wrangell

FISCAL NOTE

No. 1

STATE OF ALASKA
1996 LEGISLATIVE SESSION

Bill Version: SSSB 42
B. (S) Publish Date: 3-28-96

Revision Date: 3/18/96 Dept. Affected: Fish and Game
 Title: An act allowing a person to hold more than one entry permit for certain fisheries and amending the definition of 'unit of gear' BRU: Commercial Fisheries (Limited) Entry Commission
 Sponsor: Senator Taylor Component: Limited Entry Program Administration
 Requester: Senate Resources Committee COMPONENT SERIAL NO. 0471

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
CHANGE IN REVENUES ()						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY96) cost: \$ 0.0

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)

No fiscal impact.

Prepared By: Roger Kolden Phone: 789-6160
 Agency: Commercial Fisheries (Limited) Entry Commission Date: 3/22/96
 Approved by Commissioner: Frank Horgan Date: 3/22/96
 Agency: Commercial Fisheries (Limited) Entry Commission

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

For further distribution information call the Governor's Legislative Office

Petersburg Vessel Owners Association

P.O. Box 232

Petersburg, Alaska 99833

Phone (907) 772-9323, Voice and Fax

April 1, 1996

Senator Robin Taylor
Alaska State Legislature
State Capitol, room 20
Juneau, AK 99802.

Dear Senator Taylor:

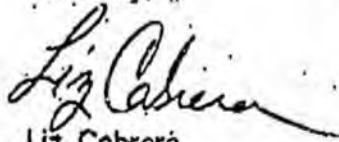
The Petersburg Vessel Owners Association would like to provide you with our position on Senate Bill 42, which would allow for stacking of permits in the Dungeness crab fishery in Southeast Alaska.

PVOA supports S:B. 42 as long as it is amended to include a provision preventing consolidation of permits by limiting the total number of permits which can be "stacked" to two. By including this provision, it will prevent consolidation of the "d" or 75 ppt permits into 300 pot blocks and ensure there will be smaller permits available for new entrants to work their way into the fishery.

This amendment addresses the concerns expressed by our members who participate in this fishery and is consistent with positions our organization has taken in the past.

Senator, we would like to thank you for all your efforts on behalf of the Dungeness crabbers in Southeast, and commend your staff, particularly Terry Otness, for his efforts on this issue.

Sincerely,



Liz Cabrera
Director

cc: Rep. Ben Grussendorf
Rep. Bill Williams

4/1/96

HONORABLE SENATOR TAYLOR,

THE SOUTHEAST DUNGENESS CRAB ASSOCIATION
WOULD LIKE TO LEND THEIR SUPPORT
TO SB AZ, PROVIDING THE STACKING
PROVISION IS LIMITED TO TWO PERMITS
THIS SHOULD PROTECT MANY OF THE
ENTRY LEVEL PERMITS (I.E. 75 POT TIER) WHILE
PROVIDING AN OPPORTUNITY FOR SOME
INDIVIDUAL GROWTH WITHIN THE FISHERY.

SINCERELY,

WILLIAM FLOR
SOUTHEAST DUNGENESS CRAB
ASSOCIATION

3/27/96

MEMBERS OF SENATE RESOURCES:

I'D LIKE TO COMMENT ON SB 42. THE STACKING AMENDMENT RUNS CONTRARY TO THE ORIGINAL IDEA OF THE STACKING PROVISION WHICH ALLOWED FOR PARTICIPATION IN THE FISHERY BASED ON PREVIOUS EFFORT WHILE ALLOWING FOR ENTRY LEVEL OPPORTUNITYS FOR OUR INSTATE FISHERMEN.

THE STACKING AMENDMENT ALSO WILL PROMOTE A MUCH FASTER GROWTH OF THE OVERALL NUMBER OF POTS FISHING WHILE DECREASING THE ACTUAL PARTICIPANTS. THE BOARD OF FISH HAS ALSO VOKED CONCERNS ABOUT THE 48,000 POTENTIAL POTS AND THE CONSERVATION PROBLEMS WHICH THIS WOULD PRESENT. THE STACKING PROVISION CAN ONLY FACILITATE THIS

I URGE YOU TO OPPOSE THIS AMENDMENT TO SB42.

THANK YOU BILL FLOR.

Feb. 29, 1996

Southeast Alaska Dungeness Crab
Petition for Stacking Provision

We, the undersigned fishermen, would urge the legislature to add a stacking provision to the Southeast Alaska dungeness crab fishery. We were disappointed last year when, H.B. 107 was passed in the last days of the 1995 session, without a stacking provision in it, as the bill was originally written. As it now stands, many fishermen with a history in the dungeness fishery will be cut back in the number of pots they can use after 1996; as a result of the limited entry program due to start in 1997.

If the C.F.E.C. finds it necessary to limit the number of pots in the fishery; then an equal percentage of pots should be removed from all entrants equally. Example: A 300 pot permit would lose 30 pots and a 75 pot permit would lose 7 pot; on a 10% cut. Decisions to reduce pots fishing, should have nothing to do with the buying of selling of permits as has been proposed.

Within a stacking provision, if an individual is given 150 pots initially and buys two more 75 pot permits to reach the maximum of 300 pots; then conversely, they should be able to break them down as purchased for disposal or be able to sell them as one unit to another fisherman as the permit holder sees fit.

Name (Print)	Signature	Address
<u>JEREMY C. JENSEN</u>	<u>Jeremy C. Jensen</u>	<u>PO Box 681 Psg. AK</u>
<u>MARK JENSEN</u>	<u>mzj</u>	<u>Box 457 Psg AK</u> <u>772-4635</u>
<u>JOHN E. JENSEN</u>	<u>John E. Jensen</u>	<u>Box 681 Psg. AK</u>
<u>Charles Christensen</u>	<u>Charles Christensen</u>	<u>715 Annette Slough</u> <u>Box 824 Psg AK</u>
<u>KEN Madsen</u>	<u>Ken Madsen</u>	<u>Box 918 Psg AK</u>
<u>Luke Whitthorn</u>	<u>Luke Whitthorn</u>	<u>Box 74 P56 AK</u>
<u>Jeff Erickson</u>	<u>Jeff Erickson</u>	<u>Box 53 P56 AK</u>
<u>Jay Thomassen</u>	<u>Jay Thomassen</u>	<u>1444 Commodore Dr</u> <u>Anchorage</u>
<u>Colin MARTENS</u>	<u>Colin Martens</u>	<u>Box 623 P56 AK</u>

Name (print)	Signature	Address
<u>Ken L. Can</u>	<u>Ken L. Can</u>	<u>P.O. Box 418 PS6-AK ¹⁹⁸³</u>
<u>DAVE SOMERVILLE</u>	<u>Dave Somerville</u>	<u>Box 163 Psg. AK 99833</u>
<u>TROY CURTISS</u>	<u>Troy E. Curtis</u>	<u>P.O. Box 1532 AK 99801</u>
<u>DARRYL P. OLSON</u>	<u>Darryl P. Olson</u>	<u>Box 1304 PS6 AK</u>
<u>Diane Olson</u>	<u>Diane Olson</u>	<u>Box 34595 - Juneau, AK ⁹⁹⁸⁰¹</u>
<u>CARL R. ANDERSON</u>	<u>Carl R. Anderson</u>	<u>Box 1612 Psg. AK</u>
<u>Dan H. Schweitzer</u>	<u>Dan H. Schweitzer</u>	<u>Box 1667 Psg. AK</u>
<u>Ralph Charlsson</u>	<u>Ralph E. Charlsson</u>	<u>Box 2015 Psg. AK</u>
<u>Martin L. Olson</u>	<u>Martin L. Olson</u>	<u>Box 433 Psg. AK</u>
<u>JOHN EIDE</u>	<u>John Eide</u>	<u>Box 101 Psg. AK</u>
<u>TED LEWIS</u>	<u>Ted Lewis</u>	<u>Box 1405 Psg. AK</u>
<u>GEORGE DODDINGTON</u>	<u>George Doddington</u>	<u>Box 294 Psg. AK</u>
<u>Terry J. Hasbrouck</u>	<u>Terry J. Hasbrouck</u>	<u>P.O. Box 486 Psg. AK</u>
<u>Carl F. Crome</u>	<u>CARL F. CROME</u>	<u>Box 466 Psg. AK</u>
<u>Gordon Scott OLSEN</u>	<u>Gordon Scott Olson</u>	<u>Box 433 Psg. AK</u>
<u>Dennis K. Rogers</u>	<u>Dennis K. Rogers</u>	<u>Box 542 Psg. AK</u>
<u>Stephen Davis</u>	<u>Stephen Davis</u>	<u>Box 1554 Psg. AK</u>

Name (print)

Signature

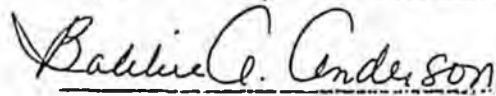
Address

Roderick Whitty



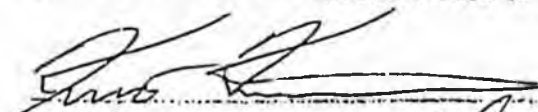
Box 161 PSG, AK

Bobbie A. Anderson



Box 1672 Psg AK

Kurt Kreamvik



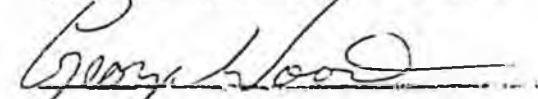
Box 1081 Psg AK

Robert Baldwin



Box 1757 Psg AK

George Wood



Box 902 AK

Marc Martensen

MARC MARTINSEN

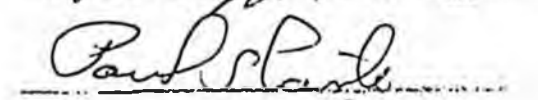
Box 351 Psg

STEVE RUTTLER



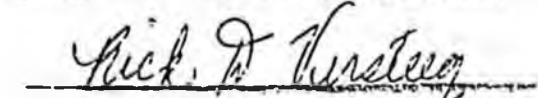
Box 167 PSG

PAUL S. CANIK



Box 1653 PSG

Rick D. Versteeg



Box 63 PSG

Bill Johnston



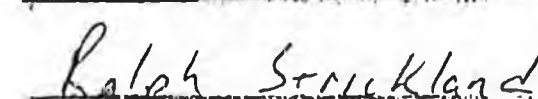
Box 134 PSG

Kenneth Olson

Kenneth Olson

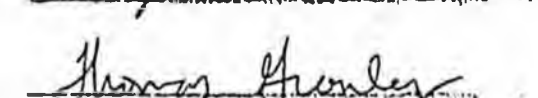
Box 1557 PSG

Ralph Strickland



Box 292 PSG

Thomas W. Drennan



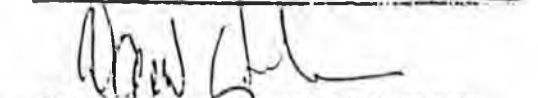
P.O. Box 1457 Psg

HOMAS O. DRENNAN

Thomas O. Drennan

Box 823 Psg

David E. Galbraith



Box 504 Psg

Cheryl J. Crawford



Box 464 Psg

Name (print)

Signature

Address

Edward H. Crawford

Edward H. Crawford

Box 464 Petersburg Ak

Daniel Crome

D. Crome

Box 1243 Petersburg

Alaska State Legislature

Chairman,
Judiciary Committee

Vice Chairman,
Transportation Committee

Member,
Resources Committee
Western Legislative Forestry Task Force



Senator Robin L. Taylor

State Capitol
Juneau, Alaska 99801-1182
(907) 465-3873
Fax: (907) 465-3922

352 Front Street
Ketchikan, Alaska 99901
(907) 225-8088
Fax: (907) 225-0713

Sponsor Statement for SSSB 42

Stacking and unstacking of dungeness limited entry permits

In the First Session of the Nineteenth Alaska Legislature House Bill 107, the counterpart to Senate Bill 42 was passed to ensure that the Southeast Alaska Dungeness crab fishery would not open to entry by a flood of new entrants. This passed legislation represented a new method to limit a fishery.

Prior to the passage of HB 107 in the Senate, a consensus was reached among the people involved in this fishery. Fisherman who were adamant that limited entry be instituted in the traditional fashion agreed to a tiered system, if it had the stacking unstacking provision. That provision, which this sponsor substitute represents, was the factor that convinced the majority of those involved in the fishery to support the tiered legislation.

Unfortunately, due to the imminent adjournment of the first session, there was not enough time to change the title on the House Bill to accomplish the stacking unstacking provision. Consequently, the bill was passed without that compromise provision. It was thought that it would be better to attain limited entry than to reopen the fishery to new entrants.

Sponsor substitute for Senate Bill 42 would allow the original compromise worked out by the involved parties to go forward. CFEC has stated that the provision is acceptable and has voiced no objection.

District A:

Hyder • Ketchikan • Kupreanof • Mevers Chuck • Petersburg • Saxman • Sitka • Wrangell

S B

54

FISCAL NOTE

No. 2

STATE OF ALASKA
1996 LEGISLATIVE SESSION

Bill Version: CS SB 54(RLS)

(S) Publish Date: 1/30/96

Revision Date 1/25/96
Title: Exclusive Service Territories for Certificated
Electric Utilities
Sponsor: Senate Labor and Commerce Committee
Requestor: Senate Rules

Department: Commerce and Economic Development
BRU: Alaska Public Utilities Commission
Component: Alaska Public Utilities Commission

COMPONENT SERIAL NO. 364

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE

(Thousands of Dollars)

FUND SOURCE	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
1002 Federal Receipts						
1003 GF Match						
1004 General Fund						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY 96) cost: \$ 0.0

POSITIONS

FULL-TIME	
PART-TIME	
TEMPORARY	

ANALYSIS: (Attach a separate page if necessary)

See attached analysis.

Prepared by: Don Schrage, Chairman
Division: Alaska Public Utilities Commission
Approved by Commissioner: William L. Hensley
Agency: Commerce and Economic Development

Phone: 276-6222
Date: January 25, 1996
Date: 1/25/96

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CHUGACH ELECTRIC ASSOCIATION, INC.

EUGENE N. BJORNSTAD, P.E.
General Manager

February 7, 1996

Representative Mark Hanley
Room 507 State Capitol
Juneau, AK 99801-1182

FAX: 465-2418

Dear Representative Hanley:

Chugach has been following the legislative progress of Senate Bill 54 and with its recent passage in the Senate we feel that the public should know our concerns and position.

The Chugach Board of Directors on February 1, 1996, unanimously passed a motion opposing passage of this bill unless there is some "sunset" provision attached. Our view is based on the concept that competition in the electric utility industry is inevitable and will result in benefits for the consumer. We believe that all electrical utilities must prepare for competitive forces sooner rather than later. If SB54 is passed as currently drafted and exclusive service areas are established, we think opportunities for competition will be significantly decreased. Adoption of SB54 sets Alaska on a policy course that is opposite to what we think is a nationwide deregulation trend. Significantly, the airline industry, the natural gas industry, the banking industry, and most recently the telecommunications industry, have headed down the deregulation road. Alaska needs to look to the future for economic development opportunities with the realization that our business products and services also have to face and compete against other places with different costs and procedures. We can do that voluntarily now or wait for the competitors from outside to get the advantage.

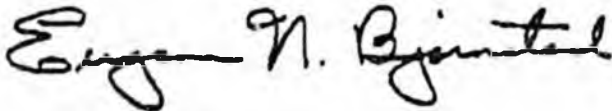
Chugach is also cognizant of other views which suggest that there is danger if exclusive service areas are not strengthened. There are potentials for increased costs and stranded investments which could result from customers having the ability to make a choice on their electrical service provider. We believe Chugach, as an organization with its employees, can meet these challenges. Our recent benchmarking efforts indicated areas where cost-savings are possible. Implementing changes which could achieve these savings will make Chugach more competitive, provide better values to our customers, and enhance prospects for economic development.

We also believe Chugach can work cooperatively with other utilities in transitioning to a competitive environment. A dialogue among Alaskan utilities, before the Alaska Public Utilities Commission will be needed to bring the benefits of competition to Alaskan electric consumers.

February 7, 1996

In order to help us achieve these benefits for our consumers, we would ask that SB54 be passed with a modification to include a "sunset" provision so that in the year 2000, an opportunity will exist for re-evaluation by the people of Alaska and their legislative representatives.

Sincerely,

A handwritten signature in cursive script that reads "Eugene N. Bjornstad". The signature is written in dark ink and is positioned above the typed name.

Eugene N. Bjornstad
General Manager

AL, FYI
from Sam Cotton

POSITION OF THE ALASKA PUBLIC UTILITIES COMMISSION
ON SENATE BILL 54

The Commission does not support adoption of sections 1, 4 and 5 of Senate bill 54; the sections that make all existing certificated electric utility service areas exclusive.

The Alaska Supreme Court concluded that certificates issued under the current statute do not confer an exclusive right to serve customers within the defined area. Chugach Electric Association v. City of Anchorage, 426 P.2d 1001 (Alaska 1967). This bill is an attempt to change that precedent.

Since the Chugach case was decided, the Commission has not authorized direct competition between electric utilities. Each time the question has been presented to the Commission, the Commission has evaluated the potential impact of allowing competition on rates and service and decided to not allow competition. If the legislature adopts this bill, the Commission would lose the ability to analyze each case presented to it on an individual basis.

Adoption of this legislation would set Alaska on a policy course that is directly opposed to the nationwide trend. Alaska is unique, and the adoption of nationwide trends here should be done only after thoughtful analysis; but the reasons for the change elsewhere in the country are equally applicable here. A

recent survey by the National Association of Regulatory Utility Commissioners indicates that in more than half of the states, competition between electric utilities is either already allowed or is under consideration. As technology changes, the traditional reasons for allowing utility service to be provided by monopolies may no longer apply. Other states have found that consumers reap the benefit of reduced electric rates and improved service when competition is introduced into the market structure and utilities must make investment decisions to increase customer satisfaction and make their operations more cost efficient.

In Alaska, the Power Cost Equalization program subsidizes the cost of power for residents of rural Alaska where the cost of generating power is much higher than in urban areas. Any legislation that is more likely to increase the amount of that subsidy in the future by creating a disincentive to the more efficient generation of power should be rejected by the legislature.

Conferring the exclusive right on electric utilities to serve customers in their certificated areas also creates new issues for the Commission to address. What impact will this legislation have on a utility's obligation to extend service to all customers within their certificated areas? If customers who live far from an existing line are left without the option of collaborating with a group of neighbors to produce their own power, will the utility be required to pay more of the cost of line extensions to remote areas?

In summary, the Commission is opposed to this bill because it eliminates the opportunity for the Commission to analyze the potential benefits of competition and eliminates a potential for choice of service options by consumers.

Section 2 of SB 54 adds "two commission special assistants" to the list of partially exempt positions at the Commission. The Commission supports the addition of special assistants to this statute, but opposes the inclusion of "two." Defining the number of special assistants is inconsistent with the treatment of the other positions named in this section (hearing officers, administrative law judges). The Commission's needs may change over a period of years, and its budget, as approved by the legislature, is the appropriate place to determine the number of positions necessary to meet the current need.

The Commission supports the adoption of section 6 because it would eliminate the issues created by "lane duck" appointments to the Commission.

The Commission attached a zero fiscal note to this bill. The adoption of this legislation may create more work for the Commission, but the Commission cannot now adequately define that impact. If this legislation passes, there are likely to be more proceedings to modify service areas boundaries, and proceedings where utilities are required to show cause why their service areas boundaries should not be modified because they have failed to offer service. The Commission may also receive more consumer

complaints. The impact of these potential filings on the Commissions existing workload is too speculative to define in a fiscal note. Because the bill contains no deadlines, the additional work would be absorbed but might result in an overall slowdown of the Commission's ability to serve utilities and the public that is too speculative to define in a fiscal note.

ALASKA RURAL ELECTRIC COOPERATIVE ASSOCIATION
703 West Tudor, Suite 200

March 20, 1995

Senator Tim Kelly, Chairman
Senate Labor & Commerce Committee
Juneau, AK
Dear Senator Sharp:

Thank you for introducing and scheduling SB 54 for hearing in the Labor and Commerce Committee.

The purpose for this legislation is to give direction to the Alaska Public Utilities Commission to maintain the historic regulatory system for electric utilities. This historic practice has been for each electric utility to be assigned to a separate service area, and for rates to be set by the commission in lieu of competition, except in those instances in which the customers of the utility have opted not to have the rates set by the commission. This has been an efficient and orderly system which has served the public well.

This practice has been based on AS 42.05.221 which presumes that the commission will provide for separate service areas. This section was enacted at the time the commission came into existence in its present form, and it was the policy that this section embodies that accounted largely for the creation of the commission. The factual situation at that time was that electric utilities were engaged in fierce and wasteful competition. In an attempt to maximize their market shares, electric utilities located in the same community built lines adjacent to each other throughout much of the area. This was a horrible misallocation of resources. Section 221 directed the commission to separate the utility service areas.

At this time, the task of consolidating the electric utilities into separate service areas has essentially been completed. Now that the factual situation has changed, it would be appropriate for the legislature to recognize this change by amending Section 221 to clearly direct the commission to keep electric service areas separate. That clear directive is contained in Section 2 of CS SB 54(STA).

We think this policy statement by the Legislature is particularly important at this time because of the national debate that is underway regarding "retail wheeling." There has been a lot of talk, but very little action, on this subject around the country. But the idea behind it is that the larger consumers want to be able to make their own deals for electricity from a power supplier other than the utility certificated to serve the area where the large consumer is located. This necessarily places the smaller consumers with less bargaining power at a disadvantage. This approach contrasts sharply with the historic regulatory system in Alaska in which periodic cost of service studies are required so that each customer class pays its own fair share of the cost of serving the area.

"Retail wheeling" may or may not be workable in some jurisdictions, but it breaks down entirely in the Alaska setting. The distinctive and unique characteristic of Alaska electric utilities is that most of them are physically isolated from any neighboring utility. Because they are electrically isolated, they have had to invest in their own generation facilities rather than buying power from someone else. Because they are small, it is a constant struggle for them to achieve economies of scale sufficient to permit them to offer rates comparable to those taken for granted anywhere else. If independent power producers are permitted to come into the area being served by an electric utility and serve only the largest customers, it may be able to offer lower rates to those most desirable customers, but all the other customers will have to pay higher rates. In some cases, feasibility for the very existence of the electric utility may be destroyed.

Section 3 of this bill removes some language that has been interpreted as permitting independent power producers the opening to do the very things we are most concerned about. The language being repealed was inserted several years ago as a "compromise" in a hot fight between a gas company and an electric company on the North Slope. That dispute no longer exists, and this section needs to be amended to be consistent with Section 2 of the bill.

Section 1 is an intent section added in the State Affairs Committee at the request of GCI.

We understand the commission has proposed a fiscal note of nearly \$100,000 to accompany this bill. The whole purpose of this bill is conservative, in the sense of keeping things the way they are, so any increase in expenditures to administer this bill are unfounded. We recommend the committee adopt a zero fiscal note.

Sincerely,



David Hutchens
Executive Director

WHY WE NEED SB 54

(Draft Commentary by David Hutchens for ARECA Newsletter)

Back in the "bad old days" in Alaska, electric utilities openly competed any way they could. A neighboring utility would build "spite lines" down the same street already served by its competitor. This practice resulted in a waste of resources, rates were higher than they could have been, and service area maps looked like overlapping plates of spaghetti.

The legislature decided that this should be ended, and created the Alaska Public Utilities Commission to oversee the mission of separating a utility's service area from that of its neighbors. The APUC statute gave instructions to the commission as to how to separate service areas. That task essentially has now been completed.

It seems that those who don't remember the past are doomed to repeat it. Some at the commission are infatuated with the latest "hula hoop" they hear everybody talking about when they go to NARUC meetings -- "retail wheeling." The theory is that this would be a new kind of retail competition which would be regulated by state commissions. Instead of each utility building its own duplicate distribution facilities, a utility could be ordered to deliver electricity to a customer in its service area who chooses to buy electricity from someone else. This would prevent the re-emergence of "spite lines" and the problems they entail.

Several states are talking about entering that brave new world, and a very few are experimenting with it on a limited basis. In the national debate that is raging on this subject, "stranded investment" is the primary concern of those who urge caution. The idea is that electric utilities have made investments necessary to serve their existing and anticipated customers, and if that utility is deprived of the revenue from some of those customers because another utility is making the sale, the host utility then has "stranded investment." The result is higher rates per KWH for everyone else in that utility's service area because the utility has to spread the same fixed costs over fewer KWH sales.

The problem of "stranded investment" certainly applies in Alaska, but the overall problem is different and much more serious here. By national standards, all the utilities in Alaska are very small. For the interconnected systems in the Railbelt, the greatest opportunities for economies come from cooperative planning and economic dispatch at the wholesale level. If each of those utilities is a potential predator looking for sales in the service areas of its neighbors, the willingness to enter into cooperative arrangements effectively disappears. Costs, and therefore rates, as a whole will go up. Those increased costs will be spread unevenly. Large retail customers with the greatest bargaining power may see their rates go down while everyone else has their rates go up enough to pick up all the increased costs as well as the portion of existing costs being avoided by the big customers.

The problem is even more severe in the small isolated systems scattered across the Alaska subcontinent. In those cases, the potential competitor would likely be an independent power producer rather than a neighboring utility since there is none. If an IPP were able to come into a small community and serve the school and all the other larger customers, the stranded investment

problem could become so severe that the utility could lose its feasibility to provide central station electric service. The ability of the utility to serve the rest of the community could be jeopardized.

Unfortunately, when the legislature told the commission to separate electric service areas many years ago, it did not include a clear directive to keep them separate. The legislature undoubtedly thought that was unnecessary, but that oversight arguably now leaves the door open for the commission to tinker with some sort of retail competition in which the commission itself--rather than the marketplace-- would determine who makes which sale. That is extremely dangerous, and must be prevented.

SB54 would preserve the current pattern of separate service areas for retail sales by each electric utility. To the extent that it isn't restrained by existing contracts, we now have wholesale competition in Alaska which would not be affected by this bill. We need to let places like Wisconsin, Michigan and California do their experimenting with "retail wheeling" while we watch carefully. My prediction is that retail competition will emerge in some form, but it is likely to be quite different from what is now being proposed. As that process unfolds, there may be some developments which we can use in Alaska, but this is one "cutting edge" we should not try to ride. Above all else, Alaska's consumers need reliability. Our developing utility network is too fragile at this time to withstand that kind of assault.

FINANCIAL FORECAST-RATIOS				
KODIAK ELECTRIC ASSOCIATION, INC.				

SCHEDULE A	1994	1995	1996	
1. EQUITY RATIO WITH ADDITIONAL REVENUE	32.52%	34.00%	35.98%	
2. DEBT SERVICE COVERAGE		2.14	2.05	
3. TIMES INTEREST EARNED RATIO	1.77	2.31	2.20	
4. AVERAGE REVENUE PER KWH SOLD (CENTS)	0.1484	0.1500	0.1727	
5. INCREASE IN AVERAGE REVENUE PER KWH SOLD (%)		1.06%	15.14%	
6. UTILITY PLANT PER KWH SOLD (CENTS)	0.51	0.50	0.68	
7. NET GENERAL FUNDS TO UTILITY PLANT (%)	5.34%	10.11%	10.49%	
8. ACCUM PROV. FOR DEPREC TO TOTAL PLANT (%)	28.83%	30.18%	31.25%	
9. OPERATIONS AND MAINT. COST PER CONSUMER (\$)	242.12	242.74	243.46	
10. ADMN & GEN. PER CONSUMER (\$)	317.79	269.06	269.86	
11. PLANT REVENUE RATIO	3.47	3.35	3.92	
12. RATE OF RETURN ON RATE BASE W. ADD REV. (%)				
13. RATE BASE = 104% OF NET UTILITY PLANT				
14. PERCENTAGE INCREASE OVER PRESENT RATES REQUIRED		0.00%	14.57%	
15. MODIFIED DEBT SERVICE COVERAGE				
16. MODIFIED TIER (NET OF G&T & OTHER)				
1996 PROJECTION IS BASED ON 1995 ACTUAL				
WITH ALL PROCESSORS GONE				

Testimony on SB 54, March 7, 1996

My name is Robert Martin, Jr. I am the General Manager of THREA which serves six rural communities in SE Alaska: Hoonah, Angoon, Kake, Klawock, Kasaan and Chilkat Valley, with headquarters in Auke Bay.

There seems to be a national trend toward more competition in the generation and transmission part of the utility business, and as a result, strong efforts to open up access to transmission lines. In other states, these efforts would allow generation sources access to new markets, and allow small utilities--or those surrounded by larger utilities--to gain access to competitive sources of energy.

However, it is important to remember that the ENTIRE CONTINENT, including Canada and Mexico, are joined together in a massive, interconnected grid of transmission and distribution lines.
EXCEPT FOR ALASKA !

Wholesale producers literally can enter the continental grid anywhere and either feed or draw energy from the grid, assuming of course that all regulatory, operating and administrative requirements are met.

In Alaska, only one community in the entire state is connected to the continental grid: Hyder, which is actually served by Stewart, B.C.

In fact, outside of the Railbelt, the predominant situations are small, isolated distribution systems, each with central generation. This is massive duplication of effort, and it is very expensive. Even Juneau, which has the second largest system in Alaska--the Railbelt grid being the largest--is a very small isolated system. The system I manage consists of six separate generation systems, six distribution systems, five tank farms and six sets of power house operators.

Now, there is no doubt that certain types of electrical loads are less expensive to serve, no matter where they are located. Large, steady loads use lots of energy received from a single service and through a single meter. The difference between low and high demand is small and generators can be sized to serve the load more efficiently. Administrative costs are the same as for a residential load. By themselves, those large loads, such as businesses, industry and government facilities add economies-of-scale to any system, large or small.

In the "new world" of competition, it is those large, steady loads that will be fought over by neighboring utilities and also by new, independent power producers (IPP). No one will fight for small, individual residential or commercial consumers.

The established utility, saddled by statutory requirements to serve all consumers in the area, especially residential consumers which are the most expensive to serve, will have great difficulty to compete.

The successful entity will enjoy the benefits of the large load.
The large load customer may enjoy slightly lower rates.

This process is known in the utility industry as "cherry picking."

On the down side, the unsuccessful utility will lose an important load.

Their investment in generation, transmission and distribution necessary to serve the load will be stranded.

Their generation units will lose their base load, will then be too large, will then have to meet larger fluctuations, will then have increased maintenance costs and lower efficiency (measured in kWh/gallon).

AND, the real losers in this cherry-picking process will be the residential and small commercial consumers, who will have no options, and whose rates will necessarily rise.

In the rural areas, like those areas which are served by THREA, the results will be devastating, because in many cases, there are only one or two large loads in the community: the school and the village store. Some communities have large fish processing plants. Were a neighboring utility, or an IPP to come in and arrange to serve ONLY the large loads, they could do so easily as a result of the benefits I described. Even with diesel generation, they could sell energy at a rate we could not match because the IPP would have all of the advantages of economies of scale and carry none of the disadvantages! Disadvantages which include:

generators which are too large and left to operate in an inefficient range.

The remaining load will have:

increased fluctuations in demand;
increased operating and maintenance expenses.

The losing utility will have:

stranded investments;
stranded administrative costs.

THEN, what would happen is:

all rates would necessarily rise to meet existing fixed costs. Remaining consumers will necessarily use less.

Lower consumption would lead to another rate increase.

And so on: in the industry this is a process known as the death spiral.

We support passage of SB 54 because it would protect rural utilities from unfair competition. Utilities which are natural monopolies and thus are:

- heavily regulated by many agencies;
- have a statutory responsibility to serve;
- at least in Alaska, utilities are predominantly PUBLIC utilities which are answerable to their consumers.

In our region, THREA has taken several steps to increase economies of scale and to lower operating costs. Steps which could be emulated by others.

1. We are working hard to add new communities to our system. We have added Chilkat Valley recently, and have served Yakutat on a contract basis.

We have talked to Klukwan, Thorne Bay, Tenakee Springs and Gustavus about joining our system.

We have studied adding two additional communities now without service: Port Alexander and Port Protection.

We have studied or supported studies to extend lines to the ferry terminal and Killisnoo Island in Angoon, a transmission line from Chilkat Valley to Haines, a transmission line from Juneau to Hoonah, a transmission line from Petersburg to Kake, a transmission line from Thorne Bay to Kasaan, a transmission line from Klawock to Thorne Bay, a private hydroelectric plant in Angoon and a resulting transmission line to Greens Creek, and even a transmission line from Ketchikan to Prince of Wales Island.

2. We have reduced rates to the absolute minimum on very large loads in our system because:

- lowest rates help industry and businesses to compete, and help schools to survive with reduced revenues;

- large loads consume many kWh and thus reduce fixed costs per kWh--a reversal of the death spiral;

- large loads provide jobs to our other consumers;

- large loads are economic development.

3. We are encouraging other small utilities to form regional utilities, or to join established regionals. Likewise, we have encouraged the state to promote regional utilities and transmission lines, the two most effective ways to reduce energy costs in rural Alaska. The current Alaska Division of Energy has been most responsive in this regard.

4. At the same time, the utility industry has been disturbed by the Alaska Public Utilities Commission (APUC) when it stated that the Certificate of Convenience and Public Necessity, which the APUC has statutory authority to issue, does not imply exclusive authority to serve the area defined by the certificate.

THREA has been forced to spend tens of thousands of dollars to defend itself and its service territory from actions by the APUC and a neighboring utility, because more than 30 years ago, the APUC mistakenly awarded a service area to the neighbor which overlaps our own service area. The area was not in the certificate application, or could it have been, given that the neighbor did not meet any of the requirements. Yet today, the APUC, apparently anxious to begin "regulated competition" in Alaska, has fought diligently to give our service area to the neighbor. An action which would severely damage the remaining five communities which we serve.

5. It is important to remember that experience with deregulation in other industries has lead to decreased service and higher costs in rural areas. The prime example is the airline industry. Rural areas went from jets to props -- for more money.

It is not easy to run a rural Alaskan utility.

It is expensive

It is thankless

We are over-regulated with "one-size-fits-all" regulations which accomplish nothing more than the expenditure of scarce dollars.

Our options are few

It is not getting easier.

We do not need, nor can we afford, regulated competition in Alaska.

We do not have a grid system outside the Railbelt.

Residential and small commercial consumers do not have options.

On behalf of all of our consumers, we urge your favorable consideration of Senate Bill 54.

Thank you for the opportunity to testify today. I would be glad to answer some questions.



**Matanuska Electric
Association, Inc.**

P. O. Box 2929
Palmer, Alaska 99645
Telephone: (907) 745-3231
Fax: (907) 745-9328

March 7, 1996

Testimony to the House Community and Regional Affairs Committee from Bruce D. Scott, CREC, Director of Member and Public Relations for Matanuska Electric Association, Inc.

Ladies and gentlemen, I thank you for this opportunity to say a few words about Senate Bill 54 to the House Community and Regional Affairs Committee. My name is Bruce Scott and I'm director of member and public relations for Matanuska Electric Association, Inc., called MEA by its members.

Incorporated in 1941, MEA is a nonprofit electric cooperative that serves about 29,000 members in Southcentral Alaska. Our service area is 3,360 square miles, nearly the same size as the 2.2-million-acre Yellowstone National Park, twice the size of Delaware and three-fifths the size of Connecticut.

We have nearly 33,000 active accounts and more than 2,716 miles of line. Last year, we built 73 miles of new line and 1,154 new services, or hookups, and look forward to continued growth in 1996.

MEA's revenue from the sale of electricity totaled \$42.6 million in 1995. Because we are a member-owned cooperative, our rates are designed so that each customer pays his or her "fair share" of our total costs -- no more, no less.

Each customer's fair share of costs includes four general types of costs:

1. The cost of running the system (i.e. operations, maintenance, general and administrative expenses);
2. The fixed costs of the physical plant in service (interest on debt and depreciation);
3. The wholesale cost -- what we pay to our supplier -- of the electricity a customer purchases; and
4. A contribution to our margin, or bottom line, which is a function of our interest expense on debt.

If we lose a customer, only one of these four types of costs -- the wholesale cost of energy -- goes down. Our remaining costs, including our margin requirement, stay the same. This means that these remaining costs must now be recovered through fewer units of sales, fewer kilowatt-hours, which translates into higher rates for our remaining customers.

Testimony by Bruce Scott, CREC
for Matanuska Electric Association, Inc.

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March 7, 1996

MEA is a rural electric cooperative with urban sectors. This means that although we serve three population centers -- Eagle River, Palmer and Wasilla -- we also serve customers in areas where there is comparatively very little population, areas such as Eklutna, Sutton, Sheep Mountain, Chickaloon, Butte, Willow, Talkeetna, Trapper Creek and some areas too small to claim a name. Consequently, the few large commercial customers that we do provide service to are very important to MEA and its members.

Our largest customer represents almost 3% of our total sales.

If MEA were to lose this one customer, its largest, the electric rates that our remaining customers pay would have to be increased by about 1.4% to cover the share of remaining expenses this large customer would no longer be paying.

Our six largest customers -- six customers out of nearly 33,000 -- represent 10% of our total sales.

If MEA were to lose its six largest customers, our remaining customers' bills would have to be increased by almost 5% to cover remaining expenses.

All of our members have invested money over the years to build the infrastructure which serves these large customers. They also have built the infrastructure to serve new customers which might be attracted to MEA's service area. If there is some future commercial development in, for example, Hatcher Pass or Point MacKenzie, then all MEA members will benefit because the large commercial customers will pick up a share of the fixed costs of providing electrical service.

If another company were to be able to "pick up" the large customers in MEA's service area, either the new ones or existing customers, the co-op's other members would be damaged in the form of higher rates.

We call this selective competition "cherry picking" and those who would engage in it "raiders" or, less politely, "predators." There has been a little talk, but no specifics, about maybe protecting cooperatives from this practice by establishing some sort of "wheeling" rate -- a fee the cherry-picker would pay the utility for transporting electricity over the utility's transmission and/or distribution lines. However, there is no way this rate could be high enough to make the original utility's members "whole" and still allow the predator to offer lower rates to the customer it is raiding.

The practice of "cherry picking" prime accounts at the retail level -- whether through predatory pricing by the major producers or other means -- serves no one's best interests. It means that revenues just get shuffled between utilities, to the huge detriment of the losing utilities and the minor benefit of the winners.

Testimony by Bruce Scott, CREC
for Matanuska Electric Association, Inc.
Page 3
March 7, 1996

The most likely predators for MEA's customers are the two large Anchorage utilities with generation facilities.

We are a "captive" market for one of them -- Chugach Electric Association, our wholesale supplier.

Imagine that the "Anchorage Daily News" did not own its own printing presses. Imagine, instead, that the printing presses were owned by its largest competitor. This is in fact the situation that existed in the early Eighties before McClatchy Newspapers Group purchased a majority interest in the "Daily News" from Ms. Kay Fanning. The "Anchorage Times" controlled when the presses ran, what the press operators were paid, bartered for newsprint and ink, and passed on the costs with a markup to the "Daily News." Under this arrangement, the "Daily News" had a difficult time existing, let alone competing with the "Times." Now, of course, the News has its own press and computers, its own advertising staff, and a lot of Outside capital from McClatchy-- and the "Times" is a half-page memory on the "Daily News" editorial page.

The situations are not strictly analogous. At MEA, we're in a more restrictive production environment than the "Daily News" of the early Eighties. Chugach Electric Association owns and/or controls several generating units and has flexibility in determining which units to use and when. MEA owns none. Some of these generating units are more efficient than others; some are less efficient and more costly. Chugach makes the call on which to use and whether to build more or repair aging ones -- and passes a substantial portion of the cost on to us, along with a markup.

Our wholesale supply contract requires us to purchase all of our power needs from Chugach through the year 2014. If this and the other wholesale power supply contracts were to be set aside, if Matanuska Electric Association and the other distribution cooperatives were free to negotiate for wholesale power in a competitive market, if there were also investor-owned utilities to compete for a share of the power supply market -- a situation that exists in all 49 of the other states, but not Southcentral Alaska -- the playing field would be closer to being a level one. Open competition at the retail level might then make sense. But without competition at the generation and transmission level, non-power-generating utilities would be at a distinct disadvantage in competing for retail customers.

The other Anchorage utility with production resources is owned by the Municipality of Anchorage and is supported by the strength of the Anchorage Municipality.

It would be unfair and illogical to allow our supplier and/or a government-backed utility to compete head-to-head with us. The playing field is not level. This is not how we view the public interest.

Testimony by Bruce Scott, CREC
for Matanuska Electric Association, Inc.

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March 7, 1996

How do we view the public interest? The Alaska Public Utilities Commission (APUC) is currently investigating whether it should become involved in forcing joint planning and operation of the production and transmission resources controlled by the various utilities.¹ This is where the real money is to be saved.

Southcentral Alaska currently has a huge surplus of generation capacity, which is about to get even worse when the Healy Clean Coal Project in the Interior comes on line.

In written comments submitted last month to the Alaska Public Utilities Commission², Don Edward's, corporate counsel for Chugach Electric Association, stated that the peak electricity demand in the Railbelt in 1995 was projected to be 641 Megawatts (MW). Mr. Edward's said the installed electrical capacity in the Railbelt after the Healy Clean Coal Project is completed will be approximately 1,330 Megawatts. This means there will be 689 MW more than is needed -- 689 million "extra" Watts of installed capacity. Even if you take the Healy project out of the equation -- just pretend for the moment that it is not being built -- the Railbelt today would still have nearly 100% more capacity than the 1995 peak demand.

Why do the utilities have this excess capacity? Because each of the suppliers is pursuing its own interests, with little if any coordination between them. As a result, the costs of this excess generation capacity are built into the rates for electricity that everyone pays.

In summation, Matanuska Electric Association requests that the Community and Regional Affairs Committee pass Senate Bill 54 [CSSB 54 (RLS) AM]. Allow the utilities to preserve their retail loads and avoid counterproductive and unfair cherry picking.

Further, we encourage the Legislature to focus on the real opportunity for savings -- coordinated planning and operation of generation facilities. We ask that you encourage the APUC to vigorously pursue the investigation it has opened in Docket R-96-1, to start work on reducing the excess of generation capacity. This is where the public interest lies. It is a relatively painless opportunity for everyone to realize significant savings.

Thank you for this opportunity to speak.

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¹ APUC Docket R-96-1.

² APUC Docket R-96-1, Feb. 13, 1996, "In the Matter of the Consideration of Standards To Address a Coordinated Energy Resource Conservation and Efficiency Program for Regulated Electric Public Utilities".



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February 16, 1996

STEPHEN T. LEWIS
Chairman / C.E.O.

The Honorable Ivan Ivan, Co-Chair
House Community & Regional Affairs
Alaska State Legislature
State Capitol (MS 3100)
Juneau, Alaska 99801-1182

Re: SB No. 54 (Granting Exclusive Service Areas to Certificated Public Utilities)

Dear Representative Ivan:

We are very concerned about Senate Bill No. 54, which would grant exclusive service areas to public utilities that provide service under certificates of public convenience and necessity issued pursuant to AS 42.05.¹

Since under AS 42.05.221(a), all public utilities must be certificated in order to be compensated, granting exclusive rights to all certificate holders will preclude competition in the public utility industry in the State of Alaska. We believe this is contrary to public policy.

We have three concerns about this bill. First, we strongly believe that competition -- or the threat of competition -- can be a major factor in holding down electric rates. At present, rates are regulated by the Alaska Public Utilities Commission ("APUC") and by law must be just and reasonable, but, *in addition*, if a utility keeps its rates too high, and someone is able to offer lower rates, rates will tend to come down. If the bill passes, the APUC will be the only restraint against high rates, and an "entrenched" utility will not have to worry about competition. We believe that competition should be the primary safeguard against excessive electric rates in Alaska, and that it should be encouraged, not forbidden. As discussed below, the APUC already has ample power to control competition where it harms the public interest; SB 54 would eliminate all

¹SB 54, which passed out of the Senate by a 14 - 6 votes, would add the following new section "g" to the "public convenience and necessity" provisions of the Alaska Public Utilities Act:

(g) A certificate issued under this section to a public utility providing electric service that includes the direct retail sale of electric service establishes an exclusive service area for the public utility for the provision of that electric service.

[New] AS 42.05.221.

competition and create total monopolies out of our existing utilities to the detriment of rate payers.

Second, given the very broad definition of public (under both the existing statute and the proposed amendment), the exclusive rights that the SB 54 would give to certificated utilities could prevent an industrial concern from obtaining power privately *simply because it is in the "certificated" service area* belonging to the local utility. In Alaska, there are many situations in which private power sales make economic, logistical, or environmental sense; SB 54 could raise insurmountable hurdles to such sales taking place in the future.

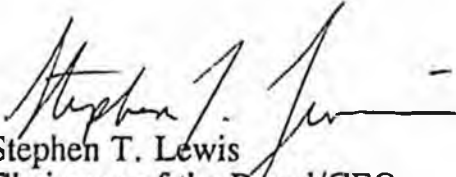
Finally, "if it ain't broke, don't fix it." The APUC already has full power to deal with situations where competition actually harms the public interest; AS 42.05.221(d) gives the APUC broad remedial powers if it determines that "two or more public utilities are competing to furnish identical utility service and that this competition is not in the public interest."

The national trend in the power industry is to favor increased competition as a means of obtaining increased efficiency and lower prices. In Alaska, competition is even more important than it is outside. Under current statutes, free market competition is the normal state of affairs, and the APUC can step in and fix those rare situations where competition is harmful. SB 54 would turn things on their head: *no* competition would be the new "normal" state of affairs, and the *only* protection against the abuse of monopoly privileges would be the APUC, which could be strongly influenced by lack of any alternative competitor.

For all the foregoing reasons, I respectfully urge you to oppose SB 54 when it comes up for consideration in the House.

Thank you for your attention. Please give either me or Richard Curtin (in this office) a call if you have any comments or questions.

Sincerely,


Stephen T. Lewis
Chairman of the Board/CEO
Petro Star Inc.

Monopoly move

State Senate protects special interest

Alaska's state Senate has passed one of the more odious pieces of special-interest legislation to hit the Capitol this session. In a 14-to-4 vote, senators blessed a bill protecting the state's electricity utilities from competition in the retail end of their business.

Being able to choose between competing electricity companies may seem fanciful and far-off, but it isn't. Under federal law, utilities no longer enjoy a monopoly over generating electricity. Federal regulators are about to deregulate the transmission of electricity at the wholesale level (where current is carried long distances over high-voltage lines), according to Bob Lohr, executive director of the Alaska Public Utilities Commission.

Competition at the retail level isn't far behind, thanks to an arrangement known as "retail wheeling." With "wheeling," various power firms will compete for the right to provide retail service. But rather than build their own costly and redundant power lines to each customer, the competing firms will pay a fee for using the wires the existing power company has already installed.

More than half the states either allow retail competition or are moving in that direction, according to Mr. Lohr. That helps explain why the commission strongly opposes the ban on competition.

Surprisingly, the state's largest electricity utility also opposes the bill. Gene Bjornstad, general manager of Chugach Electric Association, says the firm considers competition inevitable and wants to gear up to meet it. At most, Chugach would support a moratorium on competition, Mr. Bjornstad says.

Backing the controversial no-competition bill is Dave Hutchens, a well-connected Juneau insider who directs the trade group representing nonprofit rural electric utility cooperatives. Mr. Hutchens says the bill is intended to prevent "cherry-picking," in which competitors enter small communities, pick off the most profitable customers (like schools or other larger users), and drive up costs for homes and other users stuck with the existing utility.

Mr. Hutchens raises a legitimate concern, but as Mr. Lohr of the utilities commission says, "Legislation to prevent cherry-picking would look very different from this."

It will take careful state oversight to capture benefits of competition without jeopardizing universal electricity service. That oversight properly rests with the state public utilities commission. But the commission won't be able to do its job if the legislature heeds the pleas of special interests that want to be shielded from the rigors of competition.

ANCHORAGE DAILY NEWS 2-6-96

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HOUSE CS FOR CS FOR SENATE BILL NO. 87(CRA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

Offered:

Referred:

Sponsor(s): SENATE JUDICIARY COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the membership of the Alcoholic Beverage Control Board;
2 relating to community local options for control of alcoholic beverages; relating to
3 the control of alcoholic beverages; prohibiting persons from being on premises
4 involving alcoholic beverages under certain circumstances; relating to the definition
5 of 'alcoholic beverage'; relating to purchase and sale of alcoholic beverages;
6 relating to alcohol server education courses; and providing for an effective date."

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

8 * Section 1. AS 04.11.010(b) is amended to read:

9 (b) Except as provided in this subsection, a [A] person may not solicit or
10 receive orders for the delivery of an alcoholic beverage in an area that has adopted
11 a local option under AS 04.11.491. If the area has adopted a local option under
12 AS 04.11.491(a)(1), (2), or (3), or (b)(1) or (2), a package store licensee outside of
13 that local option area may receive orders as provided under AS 04.11.150 but may

1 not solicit in that area or receive orders through an agent or employee in that
2 area. This subsection does not apply to a package store licensee who operates a
3 package store in an area that has adopted a local option under
4 AS 04.11.491(a)(2)(C) or (3)(C) or (b)(2)(C) [WHERE THE RESULTS OF A
5 LOCAL OPTION ELECTION HAVE, UNDER AS 04.11.490 - 04.11.500,
6 PROHIBITED THE BOARD FROM ISSUING, RENEWING, OR TRANSFERRING
7 ONE OR MORE TYPES OF LICENSES OR PERMITS UNDER THIS TITLE,
8 UNLESS THE PERSON IS LICENSED UNDER THIS TITLE AND THE ORDER
9 IS ACTUALLY RECEIVED BY THAT PERSON FROM THE PURCHASER OF
10 THE ALCOHOLIC BEVERAGE]. A person who violates this subsection is
11 punishable upon conviction as provided under AS 04.16.200(a) or (b).

12 * Sec. 2. AS 04.11.010(c) is amended to read:

13 (c) In a criminal prosecution for possession of alcoholic beverages for sale in
14 violation of (a) of this section, the fact that a person possessed more than 12 liters of
15 distilled spirits, 24 liters or more of wine, or 12 gallons [45 LITERS] or more of malt
16 beverages in an area where the sale of alcoholic beverages is restricted or prohibited
17 under AS 04.11.491 [AS 04.11.490, 04.11.492, 04.11.496, OR 04.11.500] creates a
18 presumption that the person possessed the alcoholic beverages for sale.

19 * Sec. 3. AS 04.11.080 is amended to read:

20 Sec. 04.11.080. TYPES OF LICENSES AND PERMITS. Licenses and
21 permits issued under this title are as follows:

- 22 (1) beverage dispensary license;
- 23 (2) duplicate beverage dispensary license for additional rooms;
- 24 (3) restaurant or eating place license;
- 25 (4) club license;
- 26 (5) bottling works license;
- 27 (6) brewery license;
- 28 (7) package store license;
- 29 (8) general wholesale license;
- 30 (9) wholesale malt beverage and wine license;
- 31 (10) distillery license;

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- (11) common carrier dispensary license;
- (12) retail stock sale license;
- (13) recreational site license;
- (14) [COMMUNITY LIQUOR LICENSE;
- (15)] pub license;
- (15) [(16)] winery license;
- (16) [(17)] caterer's permit;
- (17) [(18)] special events permit;
- (18) [(19)] conditional contractor's permit;
- (19) [(20)] brewpub license.

* Sec. 4. AS 04.11.100 is amended by adding a new subsection to read:

(f) Notwithstanding the provisions of (b) and (e) of this section, upon written application and approval of the local governing body, the board may issue or reissue a restaurant or eating place license and exempt the licensee from the requirements of (b) and (e) of this section. A licensee exempt as provided in this subsection shall provide food items for sale on the premises as shown on a menu approved by the board and available to patrons. The board may not

(1) issue or reissue a license as provided under this subsection if

(A) the issuance or reissuance would result in more than one exempt restaurant or eating place license for every 10 restaurant or eating place licenses allowed under the provisions of AS 04.11.400(a)(2) or (3);

(B) the premises would be located in a building having a public entrance within 200 feet of the boundary line of a school or a church building in which religious services are being regularly conducted; for purposes of this subparagraph, the 200-foot prohibition is measured from the outer boundary line of the school or the public entrance of the church building by the shortest pedestrian route to the nearest public entrance of the restaurant or eating place;

(2) reissue a restaurant or eating place license as exempt as provided under the provisions of this subsection if the license was issued under the provisions of AS 04.11.400(g); or

1 (3) transfer an exempt license issued under this subsection to another
2 person.

3 * Sec. 5. AS 04.11.135(a) is amended to read:

4 (a) A brewpub license authorizes the holder of a beverage dispensary license
5 to

6 (1) manufacture on premises licensed under the beverage dispensary
7 license not more than 75,000 [16,000] gallons of beer in a calendar year; and

8 (2) sell beer manufactured on premises licensed under the beverage
9 dispensary license for consumption only on the licensed premises.

10 * Sec. 6. AS 04.11.135(b) is amended to read:

11 (b) Except as provided under AS 04.11.360(10) [AS 04.11.360(12)], the
12 brewpub license is not transferable, shall remain the property of the state, and is not
13 subject to any form of alienation.

14 * Sec. 7. AS 04.11.150(a) is repealed and reenacted to read:

15 (a) Except as provided under (g) of this section, a package store license
16 authorizes the licensee to sell alcoholic beverages to a person present on the licensed
17 premises or to a person known to the licensee who makes a written solicitation to that
18 licensee for shipment. A licensee, agent, or employee may only ship alcoholic
19 beverages to the purchaser. Before commencing the practice of shipping alcoholic
20 beverages, and with each subsequent application to renew the license, a licensee shall
21 notify the board in writing of the licensee's intention to ship alcoholic beverages in
22 response to a written solicitation. The package store licensee, agent, or employee shall
23 include written information on fetal alcohol syndrome and fetal alcohol effects
24 resulting from a woman consuming alcohol during pregnancy in a shipment of
25 alcoholic beverages sold in response to a written solicitation.

26 * Sec. 8. AS 04.11.150(g) is repealed and reenacted to read:

27 (g) If a shipment is to an area that has restricted the sale of alcoholic
28 beverages under AS 04.11.491(a)(1), (2), or (3) or (b)(1) or (2), a package store
29 licensee, agent, or employee may not ship to a purchaser more than 12 liters of
30 distilled spirits, 24 liters or more of wine, or 12 gallons or more of malt beverages in
31 a calendar month.

1 * Sec. 9. AS 04.11.160 is amended by adding new subsections to read:

2 (f) A person who applies for issuance or renewal of a license under this
3 section shall file, on forms provided by the board, the following information regarding
4 each product line of alcoholic beverages that the person intends to purchase, offer for
5 sale, or sell: (1) the supplier of the product line; (2) the full and correct brand names
6 in the product line; (3) the name of the distiller, brewer, vintner, or importer of the
7 product line; and (4) a certification by the distiller, brewer, vintner, or importer of the
8 product line that the person is the primary source of supply for the product line. In
9 addition to the fees imposed under (a) and (b) of this section, a person filing under this
10 subsection shall pay a biennial filing fee as follows:

11	1 to 25 suppliers	\$ 500
12	26 to 50 suppliers	\$1,000
13	51 to 75 suppliers	\$1,500
14	over 75 suppliers	\$2,000

15 In this subsection, "distiller, brewer, vintner, or importer" includes an exclusive agent
16 of the distiller, brewer, vintner, or importer if the agent's name appears on the label of
17 the brand approved by the Federal Bureau of Alcohol, Tobacco, and Firearms.

18 (g) A person licensed under this section shall notify the board within 10 days
19 of a change in a primary source of supply designation required under (f) of this
20 section.

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

22 Sec. 04.16.172. RESTRICTIONS ON PURCHASE AND SALE OF
23 ALCOHOLIC BEVERAGES. A person licensed under AS 04.11.090, 04.11.100,
24 04.11.110, or 04.11.150 may not purchase, sell, or offer for sale an alcoholic beverage
25 unless the alcoholic beverage being purchased, sold, or offered for sale was obtained
26 from a person licensed under

27 (1) AS 04.11.160 as a primary source of supply for the alcoholic
28 beverage being purchased, sold, or offered for sale; or

29 (2) AS 04.11.130, 04.11.140, or 04.11.170.

30 * Sec. 11. AS 04.11.270(b) is amended to read:

31 (b) A license shall be renewed as follows:

1 (1) on or before November 1 [OF EACH YEAR], the director shall
2 mail a renewal application to each licensee whose license, unless renewed, will expire
3 on December 31 of that year; the application shall be mailed to the licensee at the
4 licensed premises or at a mailing address furnished by the licensee;

5 (2) the licensee shall submit the completed renewal application and the
6 biennial license fee to the director before January 1 [ON OR BEFORE
7 DECEMBER 31];

8 (3) a renewal application filed after December 31 is delinquent and
9 must be accompanied by a \$500 [\$200] penalty fee;

10 (4) if December 31 falls on a weekend or a state holiday, the deadline
11 is extended to the first business day following December 31.

12 * Sec. 12. AS 04.11.320 is amended to read:

13 Sec. 04.11.320. DENIAL OF NEW LICENSES AND PERMITS. (a) An
14 application requesting issuance of a new license shall be denied if

15 (1) the board finds, after review of all relevant information, that
16 issuance of the license would not be in the best interests of the public;

17 (2) issuance of the license is prohibited by AS 04.11.390, relating to
18 residency, or AS 04.11.410, relating to location of premises near churches and schools;

19 (3) the application has not been completed in accordance with
20 AS 04.11.260;

21 (4) issuance of the license would violate the restrictions pertaining to
22 the particular license imposed under this title;

23 (5) issuance of the license is prohibited under this title as a result of
24 an election conducted under AS 04.11.507 [IN ACCORDANCE WITH
25 AS 04.11.502];

26 (6) the requirements of AS 04.11.420 - 04.11.450 relating to zoning,
27 ownership and location of the license, and the identity and financing of a licensee have
28 not been met;

29 (7) [THE LICENSED PREMISES ARE TO BE LOCATED IN A
30 MUNICIPALITY, THE TYPE OF LICENSE SOUGHT IS A BEVERAGE
31 DISPENSARY OR PACKAGE STORE LICENSE, AND THAT TYPE OF LICENSE

1 IS ALREADY IN EFFECT IN THE MUNICIPALITY UNDER A COMMUNITY
2 LIQUOR LICENSE, UNLESS THE NEW LICENSE IS TO BECOME EFFECTIVE
3 AFTER THE COMMUNITY LIQUOR LICENSE IS NO LONGER EFFECTIVE,
4 WHETHER AS THE RESULT OF A LOCAL OPTION ELECTION OR
5 OTHERWISE;

6 (8) THE AUTHORITY SOUGHT IS AUTHORITY TO OPERATE A
7 BEVERAGE DISPENSARY OR PACKAGE STORE UNDER A COMMUNITY
8 LIQUOR LICENSE FOR PREMISES TO BE LOCATED IN A MUNICIPALITY
9 WHERE THE AUTHORITY SOUGHT IS ALREADY HELD BY A PRIVATE
10 LICENSEE UNDER A BEVERAGE DISPENSARY OR PACKAGE STORE
11 LICENSE, UNLESS THE COMMUNITY LIQUOR LICENSE IS TO BECOME
12 EFFECTIVE AFTER THE PRIVATELY HELD LICENSE IS NO LONGER
13 EFFECTIVE, WHETHER AS THE RESULT OF A LOCAL OPTION ELECTION OR
14 OTHERWISE;

15 (9) issuance of the license is prohibited under AS 04.11.400(a) or
16 prohibition of issuance of the license is found necessary under AS 04.11.400(b);

17 ~~(8)~~ [(10)] the application contains false statements of material fact;

18 ~~(9)~~ [(11)] the license is sought for the sale of alcoholic beverages in a
19 first or second class city where [IN WHICH] there are no licensed premises at the
20 time of application unless a majority of the voters have voted not to approve [IN] a
21 local option to restrict or prohibit the sale of alcoholic beverages under
22 AS 04.11.491, have voted to approve a local option to allow the type of premises
23 under AS 04.11.491(a)(2) or (3), or have voted to remove a restriction or
24 prohibition on the sale of alcoholic beverages under AS 04.11.495 [ELECTION
25 CONDUCTED IN ACCORDANCE WITH AS 04.11.502 HAVE VOTED "NO" ON
26 THE QUESTION SET OUT IN AS 04.11.490, OR HAVE VOTED "YES" ON A
27 QUESTION SET OUT IN AS 04.11.492 OR 04.11.500]; or

28 ~~(10)~~ [(12)] the license is sought for the sale of alcoholic beverages in
29 an established village where [IN WHICH] there are no licensed premises at the time
30 of application unless a majority of the voters have voted not to approve [IN] a local
31 option to restrict or prohibit the sale of alcoholic beverages under AS 04.11.491,

1 have voted to approve a local option to allow the type of premises under
2 AS 04.11.491(b)(2), or have voted to remove a restriction or prohibition on the
3 sale of alcoholic beverages under AS 04.11.495 [ELECTION CONDUCTED IN
4 ACCORDANCE WITH AS 04.11.502 HAVE VOTED "NO" ON THE QUESTION
5 SET OUT IN AS 04.11.490 OR HAVE VOTED "YES" ON THE QUESTION SET
6 OUT IN AS 04.11.500].

7 (b) An application requesting issuance of a new permit shall be denied if

8 (1) the board finds, after review of all relevant information, that
9 issuance of the permit would not be in the best interests of the public;

10 (2) the board finds that any of the statements made in the application
11 are untrue;

12 (3) the application has not been completed in accordance with
13 AS 04.11.260; or

14 (4) the permit is sought for the sale of alcoholic beverages in a first or
15 second class city or established village where [IN WHICH] there are no licensed
16 premises at the time of application unless a majority of the voters have voted not to
17 approve [IN] a local option to restrict or prohibit the sale of alcoholic beverages
18 under AS 04.11.491, have voted to approve a local option to allow the type of
19 permit under AS 04.11.491(a)(2) or (b)(2), or have voted to remove a restriction
20 or prohibition on the sale of alcoholic beverages under AS 04.11.495 [ELECTION
21 CONDUCTED IN ACCORDANCE WITH AS 04.11.502 HAVE VOTED "NO" ON
22 THE QUESTION SET OUT IN AS 04.11.490].

23 * Sec. 13. AS 04.11.330(a) is amended to read:

24 (a) An application requesting renewal of a license shall be denied if

25 (1) the board finds, after review of all relevant information, that
26 renewal of the license would not be in the best interests of the public;

27 (2) the license has been revoked for any cause;

28 (3) the applicant has not operated the licensed premises for at least 30
29 eight-hour days during each of the two preceding calendar years, unless the board
30 determines that the licensed premises are under construction or cannot be operated
31 through no fault of the applicant;

1 (4) the board finds that issuance of an existing license under
2 AS 04.11.400(d) has not encouraged tourist trade;

3 (5) the requirements of AS 04.11.420 - 04.11.450 relating to zoning,
4 ownership of the license, and financing of the licensee have not been met;

5 (6) renewal of the license would violate the restrictions pertaining to
6 the particular license under this title or the license has been operated in violation of
7 a condition or restriction imposed by the board;

8 (7) renewal of the license is prohibited under this title as a result of an
9 election conducted under AS 04.11.507 [IN ACCORDANCE WITH AS 04.11.502];

10 (8) the application has not been completed in accordance with
11 AS 04.11.270; or

12 (9) the license was issued under AS 04.11.400(g), and the board finds
13 that the public convenience does not require renewal.

14 * Sec. 14. AS 04.11.340 is amended to read:

15 Sec. 04.11.340. DENIAL OF REQUEST FOR RELOCATION. An application
16 requesting approval for the relocation of licensed premises shall be denied if

17 (1) the board finds, after review of all relevant information, that
18 relocation of the license would not be in the best interests of the public;

19 (2) the relocation is prohibited under AS 04.11.400(a) or (b);

20 (3) the license would be relocated out of the established village,
21 incorporated city, unified municipality, or population area established under
22 AS 04.11.400(a) within which it is located;

23 (4) transfer of ownership is to be made concurrently with the relocation
24 of the licensed premises and a ground for denial of the transfer of ownership under
25 AS 04.11.360 is presented;

26 (5) the application has not been completed in accordance with
27 AS 04.11.290;

28 (6) relocation of the license would result in violation of a local zoning
29 law;

30 (7) relocation of the license would violate the restrictions pertaining to
31 the particular license imposed by this title;

1 (8) relocation of the license is prohibited under this title as a result of
2 an election conducted under AS 04.11.507 [IN ACCORDANCE WITH
3 AS 04.11.502]; or

4 (9) [THE LICENSED PREMISES ARE TO BE LOCATED IN A
5 MUNICIPALITY, THE TYPE OF LICENSE SOUGHT TO BE RELOCATED IS A
6 BEVERAGE DISPENSARY OR PACKAGE STORE LICENSE, AND THAT TYPE
7 OF LICENSE IS ALREADY IN EFFECT IN THE MUNICIPALITY UNDER A
8 COMMUNITY LIQUOR LICENSE, UNLESS THE RELOCATION IS TO BECOME
9 EFFECTIVE AFTER THE COMMUNITY LIQUOR LICENSE IS NO LONGER
10 EFFECTIVE, WHETHER AS THE RESULT OF A LOCAL OPTION ELECTION OR
11 OTHERWISE;

12 (10)] the license was issued under AS 04.11.400(d), (e), or (g).

13 * Sec. 15. AS 04.11.360 is amended to read:

14 Sec. 04.11.360. DENIAL OF TRANSFER OF A LICENSE TO ANOTHER
15 PERSON. An application requesting approval of a transfer of a license to another
16 person under this title shall be denied if

17 (1) the board finds, after review of all relevant information, that transfer
18 of a license to another person would not be in the best interests of the public;

19 (2) the application has not been completed in accordance with
20 AS 04.11.280;

21 (3) the application contains false statements of material fact;

22 (4) the transferor has not paid all debts or taxes arising from the
23 conduct of the business licensed under this title unless

24 (A) the transferor gives security for the payment of the debts
25 or taxes satisfactory to the creditor or taxing authority; or

26 (B) the transfer is pursuant to a promise given as collateral by
27 the transferor to the transferee in the course of an earlier transfer of the license
28 under which promise the transferor is obliged to transfer the license back to the
29 transferee in the event of default in payment for property conveyed as part of
30 the earlier transfer of the license;

31 (5) transfer of the license to another person would result in violation

1 of the provisions of this title relating to identity of licensees and financing of licensees;

2 (6) transfer of the license to another person would violate the
3 restrictions pertaining to the particular license under this title;

4 (7) transfer of the license to another person is prohibited under the
5 provisions of this title as a result of an election conducted under AS 04.11.507 [IN
6 ACCORDANCE WITH AS 04.11.502];

7 (8) the prospective transferee does not have the qualifications required
8 under this title of an original applicant;

9 (9) [THE LICENSED PREMISES ARE LOCATED IN A
10 MUNICIPALITY, THE TYPE OF LICENSE SOUGHT TO BE TRANSFERRED IS
11 A BEVERAGE DISPENSARY OR PACKAGE STORE LICENSE, AND THAT TYPE
12 OF LICENSE IS ALREADY IN EFFECT IN THE MUNICIPALITY UNDER A
13 COMMUNITY LIQUOR LICENSE, UNLESS THE TRANSFER IS TO BECOME
14 EFFECTIVE AFTER THE COMMUNITY LIQUOR LICENSE IS NO LONGER
15 EFFECTIVE, WHETHER AS THE RESULT OF A LOCAL OPTION ELECTION OR
16 OTHERWISE;

17 (10) THE AUTHORITY SOUGHT IS AUTHORITY TO OPERATE
18 A BEVERAGE DISPENSARY OR PACKAGE STORE UNDER A COMMUNITY
19 LIQUOR LICENSE FOR PREMISES TO BE LOCATED IN A MUNICIPALITY
20 WHERE THE AUTHORITY SOUGHT IS ALREADY HELD BY A PRIVATE
21 LICENSEE UNDER A BEVERAGE DISPENSARY OR PACKAGE STORE
22 LICENSE, UNLESS THE TRANSFER IS TO BECOME EFFECTIVE AFTER THE
23 PRIVATELY HELD LICENSE IS NO LONGER EFFECTIVE, WHETHER AS THE
24 RESULT OF A LOCAL OPTION ELECTION OR OTHERWISE;

25 (11)] the license was issued under AS 04.11.100(f) or 04.11.400(g); or
26 (10) [AS 04.11.400(g);

27 (12)] the license was issued under AS 04.11.135, unless the transferor
28 is also applying to transfer the beverage dispensary license required under
29 AS 04.11.135 to the same transferee.

30 * Sec. 16. AS 04.11.370 is amended to read:

31 Sec. 04.11.370. SUSPENSION AND REVOCATION OF LICENSES AND

1 PERMITS. A license or permit shall be suspended or revoked if the board finds
2 [THAT ONE OR MORE OF THE FOLLOWING GROUNDS EXISTS:]

3 (1) misrepresentation of a material fact on an application made under
4 this title or a regulation adopted under this title [FOR A LICENSE OR PERMIT];

5 (2) continuation of the manufacture, sale, or service of alcoholic
6 beverages by the licensee or permittee [ACTIVITIES AUTHORIZED UNDER A
7 LICENSE OR PERMIT] would be contrary to the best interests of the public;

8 (3) failure on the part of the licensee to correct a defect [DEFECTS]
9 that constitutes a violation [CONSTITUTE VIOLATIONS] of this title, a condition
10 or restriction imposed by the board, a regulation [REGULATIONS] adopted under
11 this title, or other laws [WITHIN A PRESCRIBED TIME] after receipt of notice
12 issued by the board or its agent;

13 (4) conviction of a licensee of a violation of [A PROVISION OF] this
14 title, a regulation adopted under this title, or an ordinance adopted under AS 04.21.010;

15 (5) conviction of an [THE] agent or employee of a licensee of a
16 violation of this title, a regulation adopted under this title, or an ordinance adopted
17 under AS 04.21.010, if the licensee is found by the board to have either knowingly
18 allowed the violation or to have recklessly or with criminal negligence failed to act in
19 accordance with the duty prescribed under AS 04.21.030 with the result that the [AN]
20 agent or employee violates a law, regulation, or ordinance;

21 (6) failure of the licensee to comply with the public health, fire, or
22 safety laws and regulations [PERTAINING TO PUBLIC HEALTH] in the state;

23 (7) use of the licensed premises as a resort for illegal possessors or
24 users of narcotics, prostitutes, or promoters of prostitution; in addition to any other
25 legally competent evidence, the character of the premises may be proved by the
26 general reputation of the premises in the community as a resort for illegal possessors
27 or users of narcotics, prostitutes, or promoters of prostitution;

28 (8) occurrence of illegal gambling within the limits of the licensed
29 premises;

30 (9) the licensee permitted a [PERMITTING ANY] public offense
31 involving moral turpitude to occur on the licensed premises;

1 (10) violation by a licensee of this title, a condition or restriction
2 imposed by the board, a regulation adopted under this title, or an ordinance adopted
3 under AS 04.21.010; or

4 (11) violation by an agent or employee of a licensee of a provision of
5 this title, a condition or restriction imposed by the board, a regulation adopted
6 under this title, or an ordinance adopted under AS 04.21.010, if the licensee is found
7 by the board to have either knowingly allowed the violation or to have recklessly or
8 with criminal negligence failed to act in accordance with the duty prescribed under
9 AS 04.21.030 with the result that the agent or employee violates the law, condition
10 or restriction, regulation, or ordinance.

11 * Sec. 17. AS 04.11.370 is amended by adding new subsections to read:

12 (b) If the board finds that a licensee or permittee has been convicted of a
13 violation of a criminal law related to gambling under AS 11.66.200 - 11.66.280, the
14 board shall suspend the license or permit for a period of at least six months if the
15 offense is the person's first conviction or violation and shall revoke the license or
16 permit if the offense is the person's second or subsequent conviction or violation.

17 (c) If the board receives notice from the Department of Revenue that a licensee
18 or permittee has violated a provision of AS 05.15 related to gambling, the board

19 (1) may suspend the license or permit; and

20 (2) shall suspend the license or permit for a period of at least 30 days
21 if the offense is the person's second or subsequent violation of AS 05.15 related to
22 gambling.

23 * Sec. 18. AS 04.11 is amended by adding a new section to read:

24 Sec. 04.11.395. BOARD IMPOSED CONDITIONS OR RESTRICTIONS.

25 The board may, in the best interests of the public, impose conditions or restrictions on
26 a license or permit issued under this chapter.

27 * Sec. 19. AS 04.11.400(a) is amended to read:

28 (a) Except as provided in (d) - (h) of this section, a new license may not be
29 issued and the board may prohibit relocation of an existing license

30 (1) outside an established village, incorporated city, unified
31 municipality, or organized borough if after the issuance or relocation there would be

1 (A) more than one restaurant or eating place license for each 1,500 population or
2 fraction of that [1,500] population, or (B) more than one license of each other type,
3 including licenses that have been issued under (d) or (e) of this section, for each 3,000
4 population or fraction of that [3,000] population, in a radius of five miles of the
5 licensed premises [OR LOCATION OF PREMISES SOUGHT TO BE LICENSED],
6 excluding the populations of established villages, incorporated cities, unified
7 municipalities, and organized boroughs that are wholly or partly included within the
8 radius;

9 (2) inside an established village, incorporated city, or unified
10 municipality if after the issuance or relocation there would be inside the established
11 village, incorporated city, or unified municipality

12 (A) more than one restaurant or eating place license for each
13 1,500 population or fraction of that [1,500] population; or

14 (B) more than one license of each other type, including licenses
15 that have been issued under (d) or (e) of this section, for each 3,000 population
16 or fraction of that [3,000] population [INSIDE THE ESTABLISHED
17 VILLAGE, INCORPORATED CITY, OR UNIFIED MUNICIPALITY];

18 (3) inside an organized borough but outside an established village or
19 incorporated city located within the borough, if after the issuance or relocation there
20 would be inside the borough, but outside the established villages and incorporated
21 cities located within the borough,

22 (A) more than one restaurant or eating place license for each
23 1,500 population or fraction of that [1,500] population; or

24 (B) more than one license of each other type, including licenses
25 that have been issued under (d) or (e) of this section, for each 3,000 population
26 or fraction of that [3,000] population [INSIDE THE BOROUGH,] excluding
27 the population of those established villages that have adopted a local option
28 under AS 04.11.491(b)(1), (3), or (4) [CONDUCTED AN ELECTION ON A
29 QUESTION SET OUT IN AS 04.11.490, 04.11.496, OR 04.11.500], and
30 excluding the population of incorporated cities located within the organized
31 borough.

1 * Sec. 20. AS 04.11.480(a) is amended to read:

2 (a) A [IF A] local governing body may [WISHES TO] protest the issuance,
3 renewal, relocation, [TRANSFER OF LOCATION,] or transfer to another person of
4 a license by sending [, IT SHALL FURNISH] the board and the applicant [WITH] a
5 protest and the reasons for the protest within 60 [30] days of receipt from the board
6 of notice of filing of the application. A protest received after the 60-day period
7 may not be accepted by the board, and in no event may a protest cause the board
8 to reconsider an approved renewal, relocation, or transfer. The local governing
9 body may protest the continued operation of a license during the second year of
10 the biennial license period by sending the board and the licensee a protest and the
11 reasons for the protest by January 31 of the second year of the license. The
12 procedures for action on a protest of continued operation of a license are the
13 same as the procedures for action on a protest of a renewal application. The
14 board shall consider a protest and testimony received at a hearing conducted under
15 AS 04.11.510(b)(2) or (4) when it considers the application or continued operation,
16 and the protest and the record of the hearing conducted under AS 04.11.510(b)(2) or
17 (4) shall be kept [RETAINED] as part of the board's permanent record of its review
18 [OF THE APPLICATION]. If an application or continued operation is protested, the
19 board shall deny [MAY NOT APPROVE] the application or continued operation
20 unless the board finds that the protest is arbitrary, capricious, and unreasonable.

21 * Sec. 21. AS 04.11 is amended by adding a new section to read:

22 Sec. 04.11.491. LOCAL OPTIONS. (a) If a majority of the persons voting
23 on the question vote to approve the option, a municipality shall adopt a local option
24 to prohibit

- 25 (1) the sale of alcoholic beverages;
- 26 (2) the sale of alcoholic beverages except by one or more of the
27 following listed on the ballot:
- 28 (A) a restaurant or eating place licensee;
- 29 (B) a beverage dispensary licensee;
- 30 (C) a package store licensee; or
- 31 (D) a caterer holding a permit under AS 04.11.230 to sell

1 alcoholic beverages at a site within the municipality who is also licensed under
2 a beverage dispensary license for premises outside of the municipality;

3 (3) the sale of alcoholic beverages except on premises operated by the
4 municipality and under a type of licensed premises listed on the ballot, that may
5 include one or more of the following:

6 (A) a restaurant or eating place license;

7 (B) a beverage dispensary license; or

8 (C) a package store license;

9 (4) the sale and importation of alcoholic beverages; or

10 (5) the sale, importation, and possession of alcoholic beverages.

11 (b) If a majority of the persons voting on the question vote to approve the
12 option, an established village shall exercise a local option to prohibit

13 (1) the sale of alcoholic beverages;

14 (2) the sale of alcoholic beverages except by one or more of the
15 following listed on the ballot:

16 (A) a restaurant or eating place licensee;

17 (B) a beverage dispensary licensee;

18 (C) a package store licensee; or

19 (D) a caterer holding a permit under AS 04.11.230 to sell
20 alcoholic beverages at a site within the established village who is also licensed
21 under a beverage dispensary license for premises outside of the established
22 village;

23 (3) the sale and importation of alcoholic beverages; or

24 (4) the sale, importation, and possession of alcoholic beverages.

25 (c) A ballot question to adopt a local option under this section must at least
26 contain language substantially similar to: "Shall (name of municipality or village)
27 adopt a local option to prohibit (local option under (a) or (b) of this section)? (yes or
28 no)."

29 (d) The ballot for an election on the option set out in (a)(2)(A), (a)(3)(A), or
30 (b)(2)(A) of this section must include a summary explanation of the authority to sell
31 alcoholic beverages given to a restaurant or eating place under AS 04.11.100(a). The

1 ballot for an election on the option set out in (a)(2)(B) or (D), (a)(3)(B), or (b)(2)(B)
2 or (D) of this section must include a statement that a beverage dispensary license is
3 commonly known as a "bar" and a summary explanation of the authority to sell
4 alcoholic beverages given to a beverage dispensary licensee under AS 04.11.090(a).
5 The ballot for an election on the option set out in (a)(2)(C), (a)(3)(C), or (b)(2)(C) of
6 this section must include a statement that a package store license is commonly known
7 as a "liquor store" and a summary explanation of the authority to sell alcoholic
8 beverages given to a package store licensee under AS 04.11.150(a).

9 (e) If a municipality dissolves under AS 29.06.450(a) or (b), a local option
10 adopted by the municipality under (a) of this section shall continue in effect as the
11 corresponding local option under (b) of this section for an established village having
12 the same perimeter as the previous boundaries of the municipality. A license for
13 premises operated by the municipality under AS 04.11.505 expires when the
14 municipality dissolves.

15 (f) A municipality or established village that has adopted a local option under
16 (a)(1), (2), or (3) or (b)(1) or (2) of this section may designate a site for the delivery
17 of alcoholic beverages to individuals in the area or a site for a person to bring
18 alcoholic beverages if the alcoholic beverages are imported into the area. This
19 subsection does not apply to the delivery or importation of

20 (1) one liter or less of distilled spirits, two liters or less of wine, or one
21 gallon or less of malt beverages; or

22 (2) alcoholic beverages to a premises licensed under (a)(2) - (3) or
23 (b)(2) of this section.

24 * Sec. 22. AS 04.11 is amended by adding new sections to read:

25 Sec. 04.11.493. CHANGE OF LOCAL OPTION. (a) If a majority of persons
26 voting on the question vote to approve a different local option, a municipality or
27 established village shall change a local option previously adopted under AS 04.11.491
28 to the different approved option.

29 (b) A ballot question to change a local option under this section must at least
30 contain language substantially similar to: "Shall (name of municipality or village)
31 change the local option currently in effect, that prohibits (current local option under

1 AS 04.11.491), and adopt in its place a local option to prohibit (proposed local option
2 under AS 04.11.491)? (yes or no)."

3 Sec. 04.11.495. REMOVAL OF LOCAL OPTION. (a) If a majority of the
4 persons voting on the question vote to remove the option, a municipality or established
5 village shall remove a local option previously adopted under AS 04.11.491. The
6 option is repealed effective the first day of the month following certification of the
7 results of the election.

8 (b) A ballot question to remove a local option under this section must at least
9 contain language substantially similar to: "Shall (name of municipality or village)
10 remove the local option currently in effect, that prohibits (current local option under
11 AS 04.11.491), so that there is no longer any local option in effect? (yes or no)."

12 (c) When issuing a license in the area that has removed a local option, the
13 board shall give priority to an applicant who was formerly licensed and whose license
14 was not renewed because of the results of the previous local option election. However,
15 an applicant described in this subsection does not have a legal right to a license and
16 the board is not required to approve the application.

17 * Sec. 23. AS 04.11 is amended by adding a new section to read:

18 Sec. 04.11.497. EFFECT ON LICENSES OF PROHIBITION OF SALE. If
19 a majority of voters vote to prohibit the sale of alcoholic beverages under
20 AS 04.11.491(a)(1), (a)(4) or (5), (b)(1), or (b)(3) or (4), the board may not issue,
21 renew, or transfer, between persons or locations, a license for premises located within
22 the boundaries of the municipality and in unincorporated areas within five miles of the
23 boundaries of the municipality or within the perimeter of the established village. A
24 license that may not be renewed because of a local option election held under this
25 section is void 90 days after the results of the election are certified. A license that
26 expires during the 90 days after the results of a local option election are certified may
27 be extended, until it is void under this section, by payment of a prorated portion of the
28 biennial license fee.

29 * Sec. 24. AS 04.11 is amended by adding a new section to read:

30 Sec. 04.11.499. PROHIBITION OF IMPORTATION AFTER ELECTION. If
31 a majority of the voters vote to prohibit the importation of alcoholic beverages under

1 AS 04.11.491(a)(4) or (5) or (b)(3) or (4), a person, beginning on the first day of the
2 month following certification of the results of the election, may not knowingly send,
3 transport, or bring an alcoholic beverage into the municipality or established village,
4 unless the alcoholic beverage is sacramental wine to be used for bona fide religious
5 purposes based on tenets or teachings of a church or religious body, is limited in
6 quantity to the amount necessary for religious purposes, and is dispensed only for
7 religious purposes by a person authorized by the church or religious body to dispense
8 the sacramental wine.

9 * Sec. 25. AS 04.11 is amended by adding a new section to read:

10 Sec. 04.11.501. PROHIBITION OF POSSESSION AFTER ELECTION. (a)

11 If a majority of the voters vote to prohibit the possession of alcoholic beverages under
12 AS 04.11.491(a)(5) or (b)(4), a person may not knowingly possess an alcoholic
13 beverage in the municipality or established village, unless the alcoholic beverage is
14 sacramental wine to be used for bona fide religious purposes based on tenets or
15 teachings of a church or religious body, is limited in quantity to the amount necessary
16 for religious purposes, and is dispensed only for religious purposes, by a person
17 recognized by the church or religious body as authorized to dispense the wine.

18 (b) If there are licensed premises within the municipality or established village,
19 the prohibition on possession is effective beginning 90 days after the results of the
20 election are certified. If there are no licensed premises within the municipality or
21 established village, the prohibition on possession is effective beginning 60 days after
22 the results of the election are certified.

23 (c) Upon the adoption by a municipality of a local option under
24 AS 04.11.491(a)(5), an ordinance is adopted containing the provisions of this section.

25 (d) In this section, "possession" means having physical possession of or
26 exercising dominion or control over an alcoholic beverage, but does not include having
27 an alcoholic beverage within the digestive system of a person.

28 * Sec. 26. AS 04.11 is amended by adding a new section to read:

29 Sec. 04.11.503. EFFECT ON LICENSES OF RESTRICTION ON SALE. If
30 a majority of the voters vote under AS 04.11.491(a)(2) or (b)(2) to prohibit sale of
31 alcoholic beverages except by the type or types of licensees or permit holders listed

1 on the ballot, the board may not issue, renew, or transfer between persons or locations
2 a license for premises located within the boundaries of the municipality and in
3 unincorporated areas within five miles of the boundaries of the municipality or within
4 the perimeter of the established village, except the type or types of licenses listed on
5 the ballot. A license in effect within the boundaries of the municipality or perimeter
6 of the established village, and in unincorporated areas within five miles of the
7 boundaries of the municipality, except the type of license listed on the ballot, is void
8 90 days after the results of the election are certified. A license that expires during the
9 90 days after the results of a local option election are certified may be extended, until
10 it is void under this section, by payment of a prorated portion of the biennial license
11 fee.

12 * Sec. 27. AS 04.11 is amended by adding a new section to read:

13 Sec. 04.11.505. LICENSING AFTER PROHIBITION ON SALE EXCEPT IN
14 PREMISES OPERATED BY MUNICIPALITY. (a) If a majority of the voters vote
15 under AS 04.11.491(a)(3) to prohibit the sale of alcoholic beverages except on
16 premises operated by the municipality, the board may not issue, renew, or transfer
17 between persons or locations a license for premises located within the boundaries of
18 a municipality and in unincorporated areas within five miles of the boundaries of the
19 municipality, with the exception of the type of license listed on the ballot and operated
20 under a license held by the municipality. A license in effect is void 90 days after the
21 results of the election are certified. A license that expires during the 90 days after the
22 results of a local option election are certified may be extended, until it is void under
23 this subsection, by payment of a prorated portion of the biennial license fee.

24 (b) The local governing body of a municipality shall apply for a license to
25 operate the type of licensed premises listed on the ballot under AS 04.11.491(a)(3) and
26 approved by a majority of the voters. The municipality shall operate the premises
27 subject to the conditions and fees applicable to the type of license. Nothing in this
28 section precludes a municipality from applying to be a licensee under other provisions
29 of this title.

30 * Sec. 28. AS 04.11 is amended by adding new sections to read:

31 Sec. 04.11.507. PROCEDURE FOR LOCAL OPTION ELECTIONS. (a)

1 Elections to adopt a local option under AS 04.11.491, change a local option under
2 AS 04.11.493, or remove a local option under AS 04.11.495, shall be conducted as
3 required in this section.

4 (b) Upon receipt of a petition of a number of registered voters equal to 35
5 percent or more of the number of votes cast at the last regular municipal election, the
6 local governing body of a municipality shall place upon a separate ballot at the next
7 regular election, or at a special election, whichever local option, change in local option,
8 or removal of local option constitutes the subject of the petition. The local governing
9 body shall conduct the election under the election ordinance of the municipality.

10 (c) Upon receipt of a petition of 35 percent or more of the registered voters
11 residing within an established village, the lieutenant governor shall place upon a
12 separate ballot at a special election the local option, change in local option, or removal
13 of local option that constitutes the subject of the petition. The lieutenant governor
14 shall conduct the election under AS 15.

15 (d) A petition filed with the local governing body of a municipality under (b)
16 of this section, that places on the ballot the option set out in AS 04.11.491(a)(5),
17 constitutes a proposed ordinance of the municipality.

18 (e) AS 29.26.110 - 29.26.160 apply to a petition under (b) of this section in
19 a general law municipality except the

20 (1) number of required signatures is determined under (b) of this
21 section rather than under AS 29.26.130;

22 (2) application filed under AS 29.26.110 must at least contain language
23 substantially similar to the questions set out under AS 04.11.491 - 04.11.495 rather
24 than containing an ordinance or resolution;

25 (3) petition must at least contain language substantially similar to the
26 questions set out under AS 04.11.491 - 04.11.495 rather than material required under
27 AS 29.26.120(a)(1) and (2).

28 (f) Notwithstanding any other provisions of law, an election under (b) or (c)
29 of this section to remove a local option or to change to a less restrictive option than
30 the local option previously adopted under AS 04.11.491 may not be conducted during
31 the first 12 months after the local option was adopted or more than once in an

1 18-month period.

2 (g) Notwithstanding AS 29.26.140(a), after a petition has been certified as
3 sufficient to meet the requirements of (b) or (c) of this section, another petition may
4 not be filed or certified until after the question presented in the first petition has been
5 voted on. Only one local option question may be presented in an election.

6 Sec. 04.11.509. NOTICE OF THE RESULTS OF A LOCAL OPTION
7 ELECTION. (a) If a majority of the voters vote to prohibit, change, or remove a
8 local option under AS 04.11.491 - 04.11.495, the clerk of the municipality, or, if the
9 election is in an established village, the lieutenant governor shall notify the board of
10 the results of the election immediately after the results are certified. The board shall
11 immediately notify the Department of Law and the Department of Public Safety of the
12 results of the election.

13 (b) If a majority of the voters vote to prohibit the importation or possession
14 of alcoholic beverages under AS 04.11.491(a)(4) or (5) or (b)(3) or (4), the following
15 actions in addition to those prescribed in (a) of this section shall be taken before the
16 date the prohibition becomes effective:

17 (1) the board shall notify, by certified mail, all package store licensees
18 who sell alcoholic beverages in response to a written solicitation of the local option;
19 and

20 (2) the municipality or established village shall post public notice of
21 the prohibition in a central location in the municipality or village.

22 * Sec. 29. AS 04.11.540 is amended to read:

23 Sec. 04.11.540. LICENSE RENEWAL AND EXPIRATION. Notwithstanding
24 AS 04.11.680, an application for renewal of a license issued for the two calendar years
25 [YEAR] ending December 31 or of a seasonal license issued for parts of those
26 calendar years [A SIX-MONTH PERIOD ENDING IN THE PREVIOUS YEAR] may
27 be submitted up until the next February 28 [, BUT THE AUTHORITY GRANTED
28 UNDER THE LICENSE MAY NOT BE EXERCISED UNTIL THE LICENSE IS
29 RENEWED]. If a complete [THE] application for renewal has [AND APPLICABLE
30 AFFIDAVITS HAVE] not been filed by February 28 or the required fees and the
31 penalty fees have not been paid by that date, the license expires at 12:00 midnight

1 February 28. A new license may not be issued to the holder of an expired license for
2 the same premises except on proof satisfactory to the board of good cause for the
3 failure to file and pay.

4 * Sec. 30. AS 04.11.680(a) is amended to read:

5 (a) Upon application and payment of one-half [ONE-QUARTER] of the
6 biennial fee, the board may issue a seasonal license under this title that is [WILL BE]
7 effective for the intervals stated on the license. A seasonal license may not be
8 effective for more than 12 months in a two-year period [A CONTINUOUS SIX-
9 MONTH PERIOD]. Otherwise, all licenses issued under this title other than a retail
10 stock sale license are effective for the two calendar years ending December 31, unless
11 a shorter period is prescribed by the board or by law.

12 * Sec. 31. AS 04.16 is amended by adding a new section to read:

13 Sec. 04.16.025. ILLEGAL PRESENCE ON PREMISES INVOLVING
14 ALCOHOLIC BEVERAGES. (a) A person may not knowingly enter or remain on
15 premises

16 (1) in which alcoholic beverages are manufactured, sold, offered for
17 sale, possessed for sale or barter, trafficked in, or bartered in violation of

18 (A) AS 04.11.010; or

19 (B) a municipal ordinance adopted under AS 04.21.010(a) or

20 (b); or

21 (2) licensed under this title during hours in which the person's presence
22 on the premises is a violation of a municipal ordinance adopted under authority of
23 AS 04.16.010(d) providing for hours of closure that are outside the hours of closure
24 prescribed by AS 04.16.010(c).

25 (b) A person who violates this section is guilty of a violation.

26 * Sec. 32. AS 04.16.110 is repealed and reenacted to read:

27 Sec. 04.16.110. SALE OF CERTAIN ALCOHOLIC BEVERAGES
28 PROHIBITED. A person may not sell an alcoholic beverage if it

29 (1) is intended for human consumption and is in powdered form; or

30 (2) contains more than 76 percent alcohol by volume.

31 * Sec. 33. AS 04.16.125(a) is amended to read:

1 (a) A person may not use a common carrier to transport alcoholic beverages
2 into an area that has restricted the sale of alcoholic beverages under
3 AS 04.11.491(a)(1), (2), or (3) or (b)(1) or (2) [AS 04.11.490, 04.11.492, OR
4 04.11.500] unless

5 (1) the shipping container holding the alcoholic beverages is clearly
6 labeled as containing alcoholic beverages with letters that contrast in color to the
7 shipping container and that are at least two inches in height; and

8 (2) an itemized invoice showing the quantity and purchase value of
9 distilled spirits, of wine, and of malt [THE ALCOHOLIC] beverages is attached to
10 the outside of the shipping container.

11 * Sec. 34. AS 04.16.125(b) is amended to read:

12 (b) This section does not apply to

13 (1) a person transporting not more than

14 (A) two liters of wine;

15 (B) one gallon of [OR] malt beverages; [,] or

16 (C) [NOT MORE THAN] one liter of distilled spirits; or

17 (2) the transportation of alcoholic beverages for use on premises
18 allowed under AS 04.11.491(a)(2) - (3) or (b)(2) or for use under a permit allowed
19 under AS 04.11.491(a)(2).

20 * Sec. 35. AS 04.16.180(a) is amended to read:

21 (a) Except as provided in AS 04.11.015, AS 04.16.025, 04.16.051
22 [AS 04.16.051], 04.16.200 - 04.16.210, and AS 04.21.065, a person who violates a
23 provision of this title or a regulation adopted by the board is guilty, upon conviction,
24 of a class A misdemeanor. Each violation is a separate offense.

25 * Sec. 36. AS 04.16.200(b) is amended to read:

26 (b) A person who violates AS 04.11.010 in an area that has adopted
27 [WHERE THE RESULTS OF] a local option under AS 04.11.491 [ELECTION
28 HAVE, UNDER AS 04.11.490 - 04.11.500, PROHIBITED THE BOARD FROM
29 ISSUING, RENEWING, OR TRANSFERRING ONE OR MORE TYPES OF
30 LICENSES OR PERMITS UNDER THIS TITLE IN THE AREA] is, upon conviction,
31 guilty of a class C felony.

1 * Sec. 37. AS 04.16.200(e) is amended to read:

2 (e) A person who sends, transports, or brings alcoholic beverages into a
3 municipality or established village in violation of AS 04.11.499 [AS 04.11.496] is,
4 upon conviction,

5 (1) guilty of a class A misdemeanor if the quantity imported is less
6 than 12 liters of distilled spirits, 24 liters of wine, or 12 gallons [45 LITERS] of malt
7 beverages; or

8 (2) guilty of a class C felony if the quantity imported is 12 liters or
9 more of distilled spirits, 24 liters or more of wine, or 12 gallons [45 LITERS] or more
10 of malt beverages.

11 * Sec. 38. AS 04.16.205(a) is amended to read:

12 (a) A person who possesses alcoholic beverages in a municipality or
13 established village in violation of AS 04.11.501 [AS 04.11.498] or an ordinance
14 adopted under AS 04.11.501 [AS 04.11.498] may, upon conviction, be punished by a
15 fine not to exceed \$1,000 and shall forfeit the seized alcoholic beverages. When a
16 peace officer stops or contacts a person concerning a violation of AS 04.11.501
17 [AS 04.11.498] or an ordinance adopted [ENACTED] under AS 04.11.501
18 [AS 04.11.498], the peace officer shall seize the alcoholic beverages and may [, IN
19 THE OFFICER'S DISCRETION,] issue a citation to the person as provided in
20 AS 12.25.180.

21 * Sec. 39. AS 04.16.205(b) is amended to read:

22 (b) A person cited for a violation of AS 04.11.501 [AS 04.11.498] or an
23 ordinance adopted under AS 04.11.501 [AS 04.11.498] for which a bail amount has
24 been established under (c) of this section may, within 30 days after the date the
25 citation is issued,

26 (1) mail or personally deliver to the clerk of the court in which the
27 citation is filed by the peace officer the amount of bail indicated on the citation and
28 a copy of the citation indicating that the right to an appearance is waived, a plea of no
29 contest is entered, and the bail and all alcoholic beverages seized are forfeited; or

30 (2) perform community work in lieu of payment of the fine or a portion
31 of the fine as provided in (d) of this section.

1 * Sec. 40. AS 04.16.205(c) is amended to read:

2 (c) The supreme court shall establish by rule or order a schedule of bail
3 amounts that may be forfeited without a court appearance for a violation of
4 AS 04.11.501 [AS 04.11.498] or an ordinance adopted under AS 04.11.501
5 [AS 04.11.498]. In establishing the bail schedule the supreme court may consider the
6 quantity of alcoholic beverages possessed and the number of prior violations of the
7 person cited. Before establishing or amending the schedule of bail amounts required
8 by this subsection, the supreme court shall appoint and consult with an advisory
9 committee consisting of the following seven persons: one superior court judge, one
10 magistrate from each judicial district in the state, a representative of the Department
11 of Law, and a representative of the Public Defender Agency. The maximum bail
12 amount may not exceed \$1,000, and the issuing officer shall write on the citation the
13 amount of bail applicable to the violation.

14 * Sec. 41. AS 04.16.205(d) is amended to read:

15 (d) Community work shall be performed at the direction of the local governing
16 body of the municipality or the local governing body of the established village. In the
17 absence of a local governing body for an established village, community work
18 shall be performed at the direction of the body that has traditionally performed
19 public functions on behalf of the entire community. The value of community work
20 in lieu of a fine is \$5.00 per hour. When the community work is completed, the
21 person cited for the violation shall mail or personally deliver to the clerk of the court
22 in which the citation is filed by the peace officer

23 (1) a form, prescribed by the administrative director of the Alaska
24 Court System, indicating completion of the community work; and

25 (2) a copy of the citation, indicating that the right to an appearance is
26 waived, a plea of no contest is entered, and that the bail is forfeited or community
27 work has been performed and that all alcoholic beverages seized are forfeited.

28 * Sec. 42. AS 04.16.205(g) is amended to read:

29 (g) Notwithstanding other provisions of law, if a person cited for a violation
30 of AS 04.11.501 [AS 04.11.498] or an ordinance adopted under AS 04.11.501
31 [AS 04.11.498] for which a bail amount has been established under (c) of this section

1 appears in court and is found guilty, the penalty that is imposed for the offense may
2 not exceed the bail amount for that offense established under (c) of this section.

3 * Sec. 43. AS 04.16.205(h) is amended to read:

4 (h) A violation of AS 04.11.501 [AS 04.11.498] or an ordinance adopted under
5 AS 04.11.501 [AS 04.11.498] may not be considered a criminal offense and may not
6 result in imprisonment, nor is a fine imposed for a violation considered criminal
7 punishment. A person cited for a violation does not have a right to a jury trial or
8 court appointed counsel.

9 * Sec. 44. AS 04.16.220(a) is amended to read:

10 (a) The following are subject to forfeiture:

11 (1) alcoholic beverages manufactured, sold, offered for sale or
12 possessed for sale, bartered or exchanged for goods and services in this state in
13 violation of AS 04.11.010; alcoholic beverages possessed, stocked, warehoused, or
14 otherwise stored in violation of AS 04.21.060; alcoholic beverages sold, or offered for
15 sale in violation [IN AN AREA WHERE THE RESULTS] of a local option adopted
16 under AS 04.11.491 [ELECTION HAVE, UNDER AS 04.11.490 - 04.11.500,
17 PROHIBITED THE POSSESSION OF ALCOHOLIC BEVERAGES OR
18 PROHIBITED THE BOARD FROM ISSUING, RENEWING, OR TRANSFERRING
19 ONE OR MORE LICENSES OR PERMITS UNDER THIS TITLE IN THE AREA];
20 alcoholic beverages transported into the state and sold to persons not licensed under
21 this chapter in violation of AS 04.16.170(b);

22 (2) materials and equipment used in the manufacture, sale, offering for
23 sale, possession for sale, barter or exchange of alcoholic beverages for goods and
24 services in this state in violation of AS 04.11.010; materials and equipment used in the
25 stocking, warehousing, or storage of alcoholic beverages in violation of AS 04.21.060;
26 materials and equipment used in the sale or offering for sale of an alcoholic beverage
27 in an area in violation [WHERE THE RESULTS] of a local option adopted under
28 AS 04.11.491 [ELECTION HAVE, UNDER AS 04.11.490 - 04.11.500, PROHIBITED
29 THE BOARD FROM ISSUING, RENEWING, OR TRANSFERRING ONE OR
30 MORE LICENSES OR PERMITS UNDER THIS TITLE IN THE AREA];

31 (3) aircraft, vehicles, or vessels used to transport, or facilitate the

1 transportation of

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

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

7 (C) alcoholic beverages imported into a municipality or
8 established village in violation of AS 04.11.499 [AS 04.11.496];

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

11 (5) alcoholic beverages, materials or equipment used in violation of
12 AS 04.16.175.

13 * Sec. 45. AS 04.16.220(b) is amended to read:

14 (b) Property subject to forfeiture under this section may be actually or
15 constructively seized under an order issued by the superior court upon a showing of
16 probable cause that the property is subject to forfeiture under this section. Constructive
17 seizure is effected upon posting a signed notice of seizure on the item to be forfeited,
18 stating the violation and the date and place of seizure. Seizure without a court order
19 may be made if

20 (1) the seizure is incident to a valid arrest or search;

21 (2) the property subject to seizure is the subject of a prior judgment in
22 favor of the state; or

23 (3) there is probable cause to believe that the property is subject to
24 forfeiture under (a) of this section; except for alcoholic beverages possessed on
25 violation of AS 04.11.501 [AS 04.11.498] or an ordinance adopted under AS 04.11.501
26 [AS 04.11.498], property seized under this paragraph may not be held over 48 hours
27 or until an order of forfeiture is issued by the court, whichever is earlier.

28 * Sec. 46. AS 04.16.220(d) is amended to read:

29 (d) Property subject to forfeiture under (a) of this section may be forfeited

30 (1) upon conviction of a person for a violation of [UNDER]
31 AS 04.11.010, 04.11.499, [04.11.496(b), OR] AS 04.21.060, or AS 04.11.501 [UPON

1 ENTRY OF JUDGMENT UNDER AS 04.11.498] or an ordinance adopted under
2 AS 04.11.501 [AS 04.11.498]; or

3 (2) upon judgment by the superior court in a proceeding in rem that the
4 property was used in a manner subjecting it to forfeiture under (a) of this section.

5 * Sec. 47. AS 04.16.220(g) is amended to read:

6 (g) It is no defense in an in rem forfeiture proceeding brought under (d)(2) of
7 this section that a criminal proceeding is pending or has resulted in conviction or
8 acquittal of a person charged with violating AS 04.11.010, 04.11.499 [04.11.496(b)],
9 or AS 04.21.060.

10 * Sec. 48. AS 04.16.220(h) is amended to read:

11 (h) Alcoholic beverages forfeited under (d) of this section shall be placed in
12 the custody of a peace officer of the state and destroyed no later than 30 days after
13 forfeiture. All other property forfeited under this section shall be placed in the custody
14 of the commissioner of public safety for disposition according to an order entered by
15 the court. The court shall order destroyed any property forfeited under this section that
16 is harmful to the public and shall order any property forfeited under this section
17 that was seized in a municipality to be transferred to the municipality in which
18 the property was seized. Other property shall be ordered sold and the proceeds used
19 for payment of expenses of the proceedings for forfeiture and sale, including expenses
20 of seizure, custody, and court costs. The remainder of the proceeds shall be deposited
21 in the general fund.

22 * Sec. 49. AS 04.21.010(a) is amended to read:

23 (a) A municipality may adopt ordinances governing the importation, barter,
24 sale, and consumption of alcoholic beverages within the municipality and may ban
25 possession of alcoholic beverages under AS 04.11.491(a)(5) [AS 04.11.498(d) OR (e)].
26 An ordinance adopted under this section may not be inconsistent with this title or
27 regulations adopted under this title. In a municipality that has adopted a local
28 option under AS 04.11.491(a)(1), (2), or (3), an ordinance is not inconsistent with
29 this title if it limits

30 (1) the monthly amounts of alcoholic beverages a person may
31 import into the municipality;

1 (2) the percent of alcohol by volume that an alcoholic beverage may
2 contain; a limit imposed under thi. paragraph may not be less than 40 nor more
3 than 76 percent alcohol by volume; or

4 (3) the type of alcoholic beverage container that may be possessed
5 in the municipality.

6 * Sec. 50. AS 04.21.010(b) is amended to read:

7 (b) After the adoption of a local option under AS 04.11.491(a), a [IF, AS A
8 RESULT OF AN ELECTION HELD IN ACCORDANCE WITH AS 04.11.502 IN A
9 MUNICIPALITY, THE BOARD IS PROHIBITED FROM ISSUING, RENEWING,
10 OR TRANSFERRING A LICENSE BETWEEN HOLDERS OR LOCATIONS OR IF
11 THE IMPORTATION OF ALCOHOLIC BEVERAGES IS PROHIBITED IN THE
12 MUNICIPALITY, THE] municipality may adopt an ordinance making the sale, [OR]
13 importation, or possession of alcoholic beverages a misdemeanor to the extent
14 prohibited under the local option. The ordinance may not be inconsistent with this
15 title or the regulations adopted under this title.

16 * Sec. 51. AS 04.21.010(c) is amended to read:

17 (c) A municipality may not impose taxes on alcoholic beverages except a
18 (1) property tax on alcoholic beverage inventories;
19 (2) sales tax on alcoholic beverage sales if sales taxes are imposed on
20 other sales within the municipality;
21 (3) sales tax on alcoholic beverage sales that was in effect before
22 July 1, 1985; and
23 (4) sales and use tax on alcoholic beverages if the sale of alcoholic
24 beverages within the municipality has been prohibited under AS 04.11.491(a)(1), (4),
25 or (5) [AS 04.11.490].

26 * Sec. 52. AS 04.21.015(b) is amended to read:

27 (b) This section does not apply to AS 04.16.050, 04.16.051, 04.16.080;
28 AS 04.21.010, 04.21.020; alcoholic beverages manufactured in a quantity that exceeds
29 the limit imposed on private manufacture under federal law; or an area that has
30 adopted a local option law under AS 04.11.491 [AS 04.11.490 - 04.11.500].

31 * Sec. 53. AS 04.21.025(a) is amended to read:

1 (a) As a condition of issuance or renewal of a license and selling alcoholic
2 beverages under a license, the board shall require a licensee who sells or serves
3 alcoholic beverages and a licensee's agents and employees who sell or serve alcoholic
4 beverages or check the identification of a patron to complete an alcohol server
5 education course approved by the board, if the license is for a

- 6 (1) beverage dispensary;
7 (2) restaurant or eating place;
8 (3) club;
9 (4) package store;
10 (5) [COMMON CARRIER DISPENSARY;
11 (6)] recreational site;
12 (6) [(7) COMMUNITY;
13 (8)] pub;
14 (7) [(9)] conditional contractor.

15 * Sec. 54. AS 04.21.025 is amended by adding a new subsection to read:

16 (e) A person licensed as a common carrier dispensary shall train agents and
17 employees who sell or serve alcoholic beverages or who check the identification of a
18 patron on provisions of state law regarding sale of alcoholic beverages, including
19 AS 04.16.015, 04.16.020, 04.16.030, 04.16.051, 04.16.052, 04.16.120, 04.16.125,
20 AS 04.21.030, and 04.21.050. The training must include the subjects of the effects of
21 alcohol consumption, identifying a drunken person, determining valid identification,
22 intervention to prevent unlawful alcohol consumption, and penalties for unlawful acts
23 by agents and employees of licensees. A common carrier licensee shall, once every
24 three years, provide the board with a description of its training program including the
25 subjects taught, teaching method, and testing required.

26 * Sec. 55. AS 04.21.065(a) is amended to read:

27 (a) A holder of one of the following types of licenses or permits shall post on
28 the licensed or designated premises two separate warning signs as described in (b) of
29 this section:

- 30 (1) beverage dispensary license;
31 (2) restaurant or eating place license;

- 1 (3) club license;
- 2 (4) brewery license; this paragraph applies only to a brewery that
- 3 permits a person to sample portions of the brewery's product;
- 4 (5) package store license;
- 5 (6) common carrier dispensary license;
- 6 (7) recreational site license;
- 7 (8) [COMMUNITY LIQUOR LICENSE;
- 8 (9)] pub license;
- 9 (9) [(10)] winery license; this paragraph applies only to a winery that
- 10 permits a person to sample portions of the winery's product;
- 11 (10) [(11)] caterer's permit;
- 12 (11) [(12)] special events permit;
- 13 (12) [(13)] conditional contractor's permit;
- 14 (13) [(14)] another license or permit issued by the board authorizing
- 15 consumption of alcoholic beverages.

16 * Sec. 56. AS 04.21.080(b)(1) is amended to read:

17 (1) "alcoholic beverage" means a spirituous, vinous, malt, or other
18 fermented or distilled liquid, whatever the origin, that is intended for human
19 consumption as a beverage and that contains one-half of one percent or more of
20 alcohol by volume, whether produced commercially or privately; however, in an area
21 that has adopted a local option under AS 04.11.491 [LOCAL-OPTION
22 PROHIBITION UNDER AS 04.11.490 - 04.11.500], "alcoholic beverage" means a
23 spirituous, vinous, malt, or other fermented or distilled liquid, whatever the origin, that
24 is intended for human consumption as a beverage by the person who possesses or
25 attempts to possess it and that contains alcohol in any amount if the liquid is
26 produced privately, or that contains one-half of one percent or more of alcohol by
27 volume, if the liquid is produced commercially;

28 * Sec. 57. AS 04.21.080(b)(9) is amended to read:

29 (9) "established village" means an area that does not contain any
30 part of an incorporated city or another established village and that is
31 (A) an unincorporated community that is in the unorganized

1 borough and that has 25 or more permanent residents; or

2 (B) an unincorporated community that is in an organized
3 borough, has 25 or more permanent residents, and

4 (i) is on a road system and is located more than 50
5 miles outside the boundary limits of a unified municipality, or

6 (ii) is not on a road system and is located more than 15
7 miles outside the boundary limits of a unified municipality;

8 * Sec. 58. AS 05.15 is amended by adding a new section to article 1 to read:

9 Sec. 05.15.097. NOTICE TO THE ALCOHOLIC BEVERAGE CONTROL
10 BOARD. If, after notice and hearing, the department determines that a person has
11 violated a provision of this chapter related to gambling and the person is a licensee or
12 permittee under AS 04, the department shall provide notice of the violation to the
13 Alcoholic Beverage Control Board.

14 * Sec. 59. AS 15.07.064(g) is amended to read:

15 (g) In this section, "established village" means an unincorporated
16 community that is in

17 (A) the unorganized borough and that has 25 or more
18 permanent residents; or

19 (B) an organized borough, has 25 or more permanent
20 residents, and

21 (i) is on a road system and is located more than 50
22 miles outside the boundary limits of a unified municipality, or

23 (ii) is not on a road system and is located more than
24 15 miles outside the boundary limits of a unified municipality

25 [HAS THE MEANING GIVEN IN AS 04.21.080].

26 * Sec. 60. AS 18.65.085(a) is amended to read:

27 (a) There is established in the Department of Public Safety, division of state
28 troopers, a narcotic drugs and alcohol enforcement unit for the purpose of investigating
29 and combating the illicit sale and distribution of narcotic drugs and alcoholic beverages
30 in the state. Enforcement of the alcoholic beverage control laws shall focus primarily
31 on the investigation, apprehension, and conviction of persons who violate

1 AS 04.11.010 by selling, importing, or possessing alcoholic beverages in violation of
2 a local option [AN ORDINANCE] adopted by a municipality or established village
3 under AS 04.11.491 [AS 04.11.490 - 04.11.500].

4 * Sec. 61. AS 18.65.085(c) is amended to read:

5 (c) The Department of Public Safety may establish and administer a reward
6 program, and provide grants to municipalities, established villages, and, at the request
7 of a municipality or established village, to a nonprofit association that administers a
8 village public safety officer program, for reward programs leading to the apprehension
9 and conviction of persons who violate AS 04.11.010 by selling, importing, or
10 possessing alcoholic beverages in violation of a local option [AN ORDINANCE]
11 adopted by a municipality or established village under AS 04.11.491 [AS 04.11.490
12 - 04.11.500].

13 * Sec. 62. AS 29.20.270(e) is amended to read:

14 (e) The veto does not extend to an ordinance adopted under AS 04.11.501
15 [AS 04.11.498]. This subsection applies to home rule and general law municipalities.

16 * Sec. 63. AS 29.25.020(d) is amended to read:

17 (d) This section does not apply to an ordinance proposed under
18 AS 04.11.507(d) [AS 04.11.502(c)].

19 * Sec. 64. AS 29.25.070(d) is amended to read:

20 (d) This section does not apply to an ordinance adopted under AS 04.11.501(c)
21 [AS 04.11.498(d) OR (e)].

22 * Sec. 65. AS 29.35.080(a) is amended to read:

23 (a) A municipality may regulate the possession, barter, sale, importation, and
24 consumption of alcoholic beverages under AS 04.11.480 - 04.11.509 [IN
25 ACCORDANCE WITH AS 04.11.480 - 04.11.506] and AS 04.21.010.

26 * Sec. 66. AS 34.03.360(6) is amended to read:

27 (6) "illegal activity involving alcoholic beverages" means a person's
28 delivery of an alcoholic beverage in violation of AS 04.11.010(b) in an area where the
29 results of a local option election have, under AS 04.11.491 [AS 04.11.490 -
30 04.11.500], prohibited the Alcoholic Beverage Control Board from issuing, renewing,
31 or transferring a liquor license or permit under AS 04;

1 * Sec. 67. AS 47.37.045(e) is amended to read:

2 (e) In this section,

3 (1) "established village" means an unincorporated community that
4 is in

5 (A) the unorganized borough and that has 25 or more
6 permanent residents, or

7 (B) a organized borough, has 25 or more permanent
8 residents, and

9 (i) is on a road system and is located more than 50
10 miles outside the boundary limits of a unified municipality, or

11 (ii) is not on a road system and is located more than
12 15 miles outside the boundary limits of a unified municipality

13 [HAS THE MEANING GIVEN IN AS 04.21.080(b)];

14 (2) "local governing body" has the meaning given in AS 04.21.080(b);

15 (3) "nonprofit organization" means an organization that qualifies for
16 exemption from taxation under 26 U.S.C. 501(c)(3) or (4) (Internal Revenue Code).

17 * Sec. 68. AS 04.11.090(c), 04.11.190, 04.11.490, 04.11.492, 04.11.496, 04.11.498,
18 04.11.500, 04.11.502, 04.11.504, 04.11.506, and 04.11.510(d) are repealed.

19 * Sec. 69. TRANSITION: LOCAL OPTIONS EARLIER ADOPTED. Notwithstanding
20 the provisions of this Act, local options adopted by an area under AS 04.11.490, 04.11.492,
21 04.11.496, 04.11.498, or 04.11.500 or previous local option laws before the effective date of
22 this Act shall continue in effect until changed under AS 04.11.493 or removed under
23 AS 04.11.495. References in this Act to local option elections conducted under AS 04.11.491,
24 04.11.493, 04.11.495, 04.11.497, 04.11.499, 04.11.501, 04.11.503, 04.11.505, and 04.11.507
25 are to be interpreted to include local option elections conducted under AS 04.11.490,
26 04.11.492, 04.11.496, 04.11.498, 04.11.500, or 04.11.502 or previous local option laws in
27 effect before the effective date of this section.

28 * Sec. 70. TRANSITION: EXISTING LOCAL OPTION PETITIONS. A petition to adopt
29 or remove a local option on file with a municipality or the lieutenant governor on the effective
30 date of this section that has not been voted on is void and may not be placed on an election
31 ballot.

1 * Sec. 71. TRANSITION: COMMUNITY LIQUOR LICENSES. A community liquor
2 license issued under AS 04.11.190 before the effective date of this section to operate a
3 beverage dispensary shall continue as a beverage dispensary license under AS 04.11.090. A
4 community liquor license issued under AS 04.11.190 before the effective date of this section
5 to operate a package store shall continue as a package store license under AS 04.11.150.

6 * Sec. 72. TRANSITION. A person licensed under AS 04.11.160 on the effective date of
7 this section shall submit the information required under AS 04.11.160(f), added by sec. 9 of
8 this Act, by September 30, 1995.

9 * Sec. 73. TRANSITION: IMPLEMENTATION OF BIENNIAL SEASONAL LICENSES.

10 (a) Approximately one-half of the applicants for 1996 renewal of a seasonal license issued
11 by the Alcoholic Beverage Control Board, as determined by the director of the Alcoholic
12 Beverage Control Board, shall be eligible for a one-year seasonal license. These licenses
13 expire, unless renewed, on December 31, 1996, and may be renewed biennially in even-
14 numbered years after that. The 1996 renewal fee for these licenses is one-half of the seasonal
15 biennial license fee.

16 (b) Applicants whose licenses are not renewed under (a) of this section shall be
17 eligible for a two-year seasonal license. These licenses expire, unless renewed, on
18 December 31, 1997, and may be renewed biennially in odd-numbered years.

19 (c) The director shall notify each licensee in writing as to whether the licensee shall
20 apply for renewal under (a) or (b) of this section, and of the actual amount of the renewal fee.
21 The notice must be given not later than December 1, 1995. However, the failure of the
22 director to provide the notice required in this subsection does not prevent a license from
23 expiring on February 28, 1996, under AS 04.11.540, if the renewal application is not filed on
24 or before that date.

25 * Sec. 74. TRANSITION: REGULATIONS. Notwithstanding sec. 78 of this Act, the
26 Alcoholic Beverage Control Board may proceed to adopt regulations necessary to implement
27 this Act. The regulations take effect under AS 44.62 (Administrative Procedure Act), but not
28 before July 1, 1995.

29 * Sec. 75. PROHIBITION ON PURCHASE OR CERTAIN ALCOHOLIC BEVERAGES.
30 Beginning July 1, 1995, and ending June 30, 1996, a person licensed as a wholesaler under
31 AS 04.11.160 may not purchase an alcoholic beverage that contains more than 76 percent

1 alcohol by volume.

2 * Sec. 76. Section 74 of this Act takes effect immediately under AS 01.10.070(c).

3 * Sec. 77. AS 04.16.110(2), enacted by sec. 32 of this Act, takes effect July 1, 1996.

4 * Sec. 78. Except as provided in secs. 76 and 77 of this Act, this Act takes effect July 1,
5 1995.

FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO. CSSB 87 (FIN)

Revision Date: <u>4/24/95</u>	Dept. Affected: <u>Revenue</u>
Title: <u>Alcoholic Beverages: Local</u>	BRU: <u>Alcoholic Beverage Control Board</u>
Option and Misc. _____	Component: _____
Sponsor: <u>Senate Judiciary</u>	
Requester: <u>House C & RA</u>	COMPONENT SERIAL NO. <u>0100</u>

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts (approx.)	5.0	5.0	5.0	5.0	5.0	5.0
1006 GF/MHTIA						
Other						
TOTAL	5.0	5.0	5.0	5.0	5.0	5.0

Estimate of any current year (FY95) cost: \$ 0.0

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Possible increase in revenue from 1) increase to penalty for filing late applications for renewal of license in Section 13, Page 7 and 2) fee collected from wholesale licensees for registration of brands in Section 11, Page 5.

Prepared by: <u>Patrick L. Sharrock, Director</u>	Phone: <u>277-8638</u>
Division: <u>Alcoholic Beverage Control Board</u>	Date: <u>4/24/95</u>
Approved by:	Date: <u>4/24/95</u>
Commissioner: <u>Deborah Voigt</u>	
Agency: <u>Revenue</u>	

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