

ALASKA STATE LEGISLATURE
HOUSE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

February 3, 2018

10:00 a.m.

MEMBERS PRESENT

Representative Justin Parish, Co-Chair
Representative Harriet Drummond
Representative John Lincoln
Representative George Rauscher
Representative Dan Saddler

MEMBERS ABSENT

Representative Zach Fansler, Co-Chair
Representative David Talerico
Representative DeLena Johnson (alternate)
Representative Jonathan Kreiss-Tomkins (alternate)

COMMITTEE CALENDAR

HOUSE BILL NO. 269

"An Act relating to distillery licenses."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 269

SHORT TITLE: DISTILLERY LICENSEES; SERVICE ON PREMISES

SPONSOR(S): REPRESENTATIVE(S) TUCK

01/12/18	(H)	PREFILE RELEASED 1/12/18
01/16/18	(H)	READ THE FIRST TIME - REFERRALS
01/16/18	(H)	CRA, L&C
01/30/18	(H)	CRA AT 3:00 PM BARNES 124
01/30/18	(H)	-- MEETING CANCELED --
02/03/18	(H)	CRA AT 10:00 AM BARNES 124

WITNESS REGISTER

REPRESENTATIVE CHRIS TUCK
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Introduced HB 269, as prime sponsor.

KENDRA KLOSTER, Staff
Representative Chris Tuck
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented HB 269 on behalf of
Representative Tuck, prime sponsor.

WILLIAM HOWELL
Sterling, Alaska

POSITION STATEMENT: Testified in support of HB 269.

PETE HANSON, President/Chief Executive Officer (CEO)
AK CHARR
Anchorage, Alaska

POSITION STATEMENT: Testified during the hearing on HB 269.

BRANDON HOWARD, Co-Founder
Amalga Distillery
Juneau, Alaska

POSITION STATEMENT: Testified during the hearing on HB 269.

MAURA SELENAK, Co-Founder
Amalga Distillery;
President
Distillery Guild of Alaska
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 269.

JEDEDIAH BLUM-EVITTS, Production Technician
Port Chilkoot Distillery
Haines, Alaska

POSITION STATEMENT: Testified during the hearing on HB 269.

CAITIE KIRBY, Tasting Room Manager
Port Chilkoot Distillery

Haines, Alaska

POSITION STATEMENT: Testified during the hearing on HB 269.

ROBERT KLIEN, Chief Executive Officer (CEO)

Anchorage Distillery;

Chair

Alcohol Beverage Control Board (ABC Board)

Anchorage, Alaska

POSITION STATEMENT: Responded to comments made during the hearing on HB 269.

ROBYN DAVIES

Arctic Harvest Distillery

North Pole, Alaska

POSITION STATEMENT: Testified during the hearing on HB 269.

ROB BORLAND

Ursa Major Distilling

Ester, Alaska

POSITION STATEMENT: Testified in support of HB 269.

TOIVO LUICK, Owner

Hoarfrost Distilling

Fairbanks, Alaska

POSITION STATEMENT: Testified during the hearing on HB 269.

JOSEPH W. GELDHOT

Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 269.

KIMBERLY METCALFE

Juneau, Alaska

POSITION STATEMENT: Testified in opposition to HB 269.

JIN SCHOLL

Juneau, Alaska

POSITION STATEMENT: Discussed the impact of distilleries during the hearing on HB 269.

BEN WILLIAMS

Douglas, Alaska

POSITION STATEMENT: Testified in support of HB 269.

JANILYN HEGER, Co-Owner
Skagway Spirits Distillery
Skagway, Alaska

POSITION STATEMENT: Testified during the hearing on HB 269.

LARRY HACKENMILLER
Fairbanks, Alaska

POSITION STATEMENT: Testified in opposition to HB 269.

TANIA CLUCAS
Fairbanks, Alaska

POSITION STATEMENT: Testified during the hearing on HB 269.

CORINNE CONLON
Juneau, Alaska

POSITION STATEMENT: Testified in favor of HB 269.

HEATHER SHADE, Co-Owner
Port Chilkoot Distillery
Haines, Alaska

POSITION STATEMENT: Testified in support of HB 269.

DEB HICKOK, President/Chief Executive Officer (CEO)
Explore Fairbanks

POSITION STATEMENT: During the hearing on HB 269, provided a tourism perspective on distilleries.

GARY BLACK
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 269.

ZACH ANDERSON
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 269.

JESSIE PALOMINO
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 269.

PAUL GUARDINIER

Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 269.

ACTION NARRATIVE

[10:00:38 AM](#)

CO-CHAIR JUSTIN PARISH called the House Community and Regional Affairs Standing Committee meeting to order at 10:00 a.m. Representatives Lincoln, Drummond, Rauscher, and Parish were present at the call to order. Representative Saddler arrived as the meeting was in progress.

HB 269-DISTILLERY LICENSEES; SERVICE ON PREMISES

[10:01:25 AM](#)

CO-CHAIR PARISH announced that the only order of business would be HOUSE BILL NO. 269, "An Act relating to distillery licenses."

[10:02:11 AM](#)

REPRESENTATIVE CHRIS TUCK, Alaska State Legislature, introduced HB 269, as prime sponsor. He deferred to his staff to present the proposed legislation.

[10:02:34 AM](#)

KENDRA KLOSTER, Staff, Representative Chris Tuck, Alaska State Legislature, presented HB 269 on behalf of Representative Tuck, prime sponsor. She paraphrased portions of the sponsor statement, which read in its entirety, as follows [original punctuation provided]:

Small businesses play an important role in our society and are truly the backbone to the economy. Equally important is the fact that new businesses are also one of the most important forces of innovation and employment.

Over the past few years, entrepreneurs across Alaska have entered into the craft distillery world. With the help of legislation passed by the 28th Alaska Legislature we now have seven new distilleries, making a total of ten across the state.

In 2014, the Alaska Legislature passed House Bill 309 with overwhelming support. This bill allowed craft distilleries to open tasting rooms, putting them on par with breweries and wineries, to provide samples and selling their product, with specific limitations. This change allowed distilleries to increase their visibility, attract more customers, compete effectively with multi-national brands, and become a more active participant in their respective communities.

The Alcoholic Beverage Control Board has proposed regulations to disallow the mixing of distilled products with non-alcoholic beverage not produced by the distillery. These regulations are contrary to the original intent of the Legislature. Most people do not consume, nor should we promote, the consumption of straight distilled crafts.

House Bill 269 will clarify the Legislature's original intent to allow our craft distillers to serve their product with mixers, garnishes and other ingredients that are non-alcoholic beverages. The proposed regulations by the ABC Board have the potential to impede the growth of the craft distillery industry in Alaska and hurt our hard-working small business owners.

It is crucial that we continue to support all our small businesses and not create regulations that will hamper their ability to thrive. I appreciate your support for the quick passage of House Bill 269.

[10:04:22 AM](#)

REPRESENTATIVE TUCK indicated that when [House Bill 309] was passed, it had limitations. Nonalcoholic mixers were not a limitation. He noted that at the bill signing ceremony, there had been tastings, including mixers. He opined that smoked salmon vodka [tastes good] in a Bloody Mary but "by itself it really doesn't do so well."

[10:04:58 AM](#)

REPRESENTATIVE RAUSCHER asked how many [distilleries] are currently operating in Alaska.

MS. KLOSTER answered 10.

[10:05:26 AM](#)

REPRESENTATIVE DRUMMOND offered her awareness that Amalga Distillery [in Juneau, Alaska,] produces its own tonic in house. She asked if the Alcohol & Marijuana Control Office (AMCO) [within Department of Commerce, Community & Economic Development (DCCED)] decision prohibits the use of in-house produced mixers.

REPRESENTATIVE TUCK offered his understanding that a new AMCO board decision leans toward a preference for [distilleries] to serve only straight shots; people who want alcohol mixed with seltzer, for example, would have to mix it themselves.

MS. KLOSTER echoed Representative Tuck's comment regarding the mixing of one's own drink at a distillery.

REPRESENTATIVE TUCK questioned whether AMCO, whose role is to regulate alcoholic drinks, should be regulating non-alcoholic drinks, saying water cannot be added to scotch, for example. He asked, "Do we really want to have people just taking straight shots of alcohol?"

[10:07:10 AM](#)

MS. KLOSTER pointed to a binder, available in the committee packet, comprising over 500 letters submitted to the AMCO Board in support of distilleries. She acknowledged there were also

letters of opposition, perhaps only about 19 of them. She highlighted the positives noted in the support letters as: economic benefits, having an alternative, and being part of the community. She talked about supporting upcoming businesses in the state and said she thinks there is "room for everybody." She characterized [distilleries] as being "a great new thing that is coming to Alaska."

[10:08:30 AM](#)

REPRESENTATIVE SADDLER asked what the difference is between a bar serving mixed drinks and a distillery doing the same.

REPRESENTATIVE TUCK said the following limitations have been placed on distilleries such that they cannot have: live entertainment, televisions, pool tables, dart boards, dancing, electronic or other games, game tables, or other recreational gaming opportunities where the consumption occurs. Further, distilleries are limited in the hours during which they can be open for tastings. In response to a follow-up question regarding the reason for the limitations, Representative Tuck explained that there is a three-tier system for the distribution of alcohol, including distilleries, distributors, and retailers. He indicated that the intent [of House Bill 309] was to not have distilleries "acting like a bar" and instead operate more like wineries with tasting rooms.

REPRESENTATIVE SADDLER asked the prime sponsor if his intent is to have no further changes beyond what is in the present proposed legislation.

REPRESENTATIVE TUCK answered that HB 269 is written as a means of clarification, because it was never the intent to disallow non-alcoholic beverages to be served with the alcohol produced by the distillery. He said, "The AMCO Board seemed to change the past three years of tradition, and so we're just trying to set the record straight." He said a letter was sent to the AMCO Board with co-sponsors' signatures, as well as some other signatures; however, it did not appear that the AMCO Board even read the letter. As a result, he said, "We're passing legislation to clarify."

10:11:12 AM

REPRESENTATIVE RAUSCHER asked whether a distillery that gave tastings of its vodka could also provide bourbon, for example.

REPRESENTATIVE TUCK stated that under current law distilleries can serve only their distilled product.

10:12:27 AM

REPRESENTATIVE SADDLER asked if mixers not manufactured by the distillery are allowed.

REPRESENTATIVE TUCK answered yes, as long as the mixers are non-alcoholic.

REPRESENTATIVE SADDLER asked how much more value there would be to distilleries because of being allowed to serve mixers with their product.

REPRESENTATIVE TUCK suggested upcoming public testimony may answer that question. He mentioned the future arrival of tourists to Alaska and the benefit to distilleries of being able to show the various [mixers] that can be used with their product to create a variety of drinks.

REPRESENTATIVE SADDLER responded that it is a wonderful idea to "leverage our Alaska mystique," and he said he supports the extension of Alaska's brand to encourage more retail activity in the state. He asked if it would be reasonable to adjust the fee charged to distilleries for their licenses if allowing them to serve mixers with their product would result in an increase in revenue.

REPRESENTATIVE TUCK answered that fees are often market driven; there is a limit to how many distilleries can be in any one area; and he believes that over time distilleries will increase in value. He said seven new distilleries have opened "since this bill was produced." He talked about a new generation that is keen on craft breweries, wineries, and distilleries. He said

the idea of charging higher fees is one for debate and not an issue that is being addressed under HB 269. He indicated that the way fees are set currently allows distilleries to open and get into the market. In response to Representative Saddler's repetition of the question to seek the prime sponsor's opinion on the subject, Representative Tuck stated that the restriction placed on distilleries has only been in existence for the past 30 days, "So, I need a little bit more time to think about that."

REPRESENTATIVE SADDLER said he would like Representative Tuck to get back to the committee with a direct answer.

REPRESENTATIVE TUCK responded, "I'd like to give it a five-year trail period."

REPRESENTATIVE SADDLER interjected, "At this current rate."

[10:17:53 AM](#)

CO-CHAIR PARISH open public testimony on HB 269.

[10:18:48 AM](#)

WILLIAM HOWELL testified in support of HB 269. He said he thinks [allowing mixers in distilleries] was the obvious intent of House Bill 309 when it passed. He opined that because the AMCO Board demonstrated an unwillingness to "apply any sort of good sense," additional legislation is now necessary. He said he listened to the AMCO Board meeting of January 23, 2018, where this measure was decided, and he "found it less than illuminating." He said there were more than 500 comments opposing the regulation though no public testimony was taken at the time. He offered his view that the only people who think [the restriction] is a good idea are members of the Alaska Cabaret, Hotel, Restaurant and Retailer's Association, Inc. (Alaska CHARR), "who view this as a way to squash their competition." He quoted Darwin A. Biber, Jr., Chairman of the Board, Alaska CHARR, as stating, "A small group of self-serving individuals are trying, by illegal means, to disrupt the bar business." Mr. Howl countered, "From my perspective, a small

group of self-serving bar owners are trying, by legal means, to disrupt the distillery business." He urged the committee to support HB 269, because he said he cannot see a good reason to oppose it and he does not think the AMCO Board should be exercising its authority over non-alcoholic beverages."

10:21:12 AM

PETE HANSON, President and Chief Executive Officer (CEO), AK CHARR, stated that AK CHARR represents 18,000 businesses in Alaska that are licensees in the alcohol industry. Those businesses, which include restaurants, bars, package stores, hotels, lodges, clubs, wholesalers, and manufacturers, have created more than 10 percent of all the jobs in Alaska. AK CHARR has been standing up for those businesses since 1964. Mr. Hanson said AK CHARR applauds the bill sponsor for recognizing the issues that must be worked out regarding tasting rooms in distilleries. He recognized there has been confusion over the definition of a distillery's product. He reported that at its January 23, [2018], meeting, the Alcoholic Beverage Control Board ("ABC Board") voted 4 to 1 to implement a regulation that would achieve a middle ground among the varied interests in the industry while remaining true to the law created in 2014 that first authorized tasting rooms in distilleries. He proffered it may surprise the committee to know that AK CHARR supported that law; AK CHARR continues to support the concepts it agreed to in 2014. He stated, "The ink on the new regulation by the ABC Board hasn't even had a chance to dry yet, let alone be implemented. [AK] CHARR believes that this regulation should be implemented and should have a chance to work."

MR. HANSON said AK CHARR is supportive of SB 76. He said SB 76 would allow manufacturers to become retailers; they could buy a license to own a bar and restaurant, for example. He said many stakeholders worked together on SB 76 and believe it would "solve a host of issues and lay out a direction for the future of the industry."

MR. HANSON, in response to a question from Representative Drummond, confirmed that SB 76 is current legislation.

[10:24:51 AM](#)

REPRESENTATIVE SADDLER asked why AK CHARR supported distilleries in the first place if the organization might view them as competitors.

MR. HANSON answered that AK CHARR supports growth in the industry and protection of businesses that have been in the industry for a length of time - some for 50-plus years. He concluded, "We're just trying to lay out a strategy that's fair for all the licensees in the industry, including the 11 distilleries." In response to a second question, he said the system of manufacturer, wholesaler, and retailer was implemented following prohibition, with union influence, and the intent was to separate manufacturers from retailers by putting wholesalers in the middle - the goal was to avoid vertical monopoly. The system had a limited number of licenses to serve alcohol. He said because of those limitations, the value of those licenses has increased, and there are many small business owners in Alaska, who have invested their life savings in those businesses, and AK CHARR wants to find a system that is fair to them and "have people (indisc.) fairly."

[10:27:05 AM](#)

BRANDON HOWARD, Co-Founder, Amalga Distillery, noted it was House Bill 309 that passed [during the Twenty-Eighth Alaska State Legislature] to "bring our industry up to the standard of other distilleries around the state to help motivate and drive tourism." He said most states allow for mixed drinks in their tasting rooms; in 2017 that number was 33. The number has increased, he said. He indicated that tourism has increased because of House Bill 309. To Representative Saddler's previous question about fees, he relayed that distilleries pay a biennial fee of \$1,000 and bars pay a biennial fee of \$2,500. He offered his understanding that SB 76 seeks to change those fees. He said, "We often times hear about market-driven valuations, and all start-ups require significant capital investments."

MR. HOWARD, to Mr. Hansen's comment about the ability to buy a license to serve drinks, said the distillery is unable to

purchase a restaurant or bar permit. Further, he indicated that the distillery is limited to serving that which it distills. He said the current craft industry is profound and it continues to grow. One article states that despite beer consumption decreasing across the country, "craft [brewing] jobs are "skyrocketing because of the incredible inefficiencies that we have in craft production." He explained, "We create a lot more jobs on a smaller scale of production than, say, Budweiser and Anheuser-Busch, and we create a lot of local flavors - a lot of local draw." Mr. Howard said another article states that Iowa, which began allowing distilleries to have tasting rooms in 2018, has seen growth in the industry. He concluded his testimony as follows:

So, for the last three years, we've been able to serve cocktails; it's grown our industry; and now we've come to this absurd line where we're still going to be allowed to serve drinks, but there's a contrivance and a pettiness in ... the services - a bit of an awkwardness - in that if I give you an ounce and half of gin and a mixer, you can tilt that gin into the glass, but ... if I tilt that gin into the glass for you, I am breaking the law. I think that HB 269 addresses these issues, brings clarity, and allows us to carry on with the intent of the original bill.

[10:31:16 AM](#)

MAURA SELENAK, Co-Founder, Amalga Distillery; President, Distillery Guild of Alaska, said the guild supports HB 269, which would help [distilleries] put an end to the turmoil and uncertainty in which they found themselves in August [2017]. She said distilleries are one of Alaska's newest industries; as manufacturers, distilleries are at a disadvantage compared to those in other states. The cost of shipping and energy are among the highest in the nation; labor and materials are more expensive and often more difficult to find; and excise taxes are the highest in the country. She said despite that, [distillery owners] believe Alaska has something unique to offer, and they continue to move forward and overcome obstacles unique to production in the state.

MS. SELENAK stated that Alaskan distilleries showcase local ingredients and flavors through their tasting rooms, such as berries and spruce tips, and they use grains grown in the Matanuska-Susitna (Mat-Su) Valley and Delta Junction, and malt from Arctic Harvest, in North Pole, Alaska, that is used to make whiskey. She said one batch of Amalga distillery's gin uses over 8,000 pounds of Alaska-grown grain, and the distillery sources its base spirit from an Anchorage distillery. Ms. Selenak stated that since House Bill 309 was passed, six new distilleries have opened and one more is on its way. She thanked the committee for moving forward with HB 269.

[10:33:09 AM](#)

REPRESENTATIVE DRUMMOND said she had enjoyed tasting Amalga Distillery's product. She asked the owners of the distillery to talk about the restrictions placed on distilleries.

MR. HOWARD said a distillery's liquor license comes with restrictions different from those of a bar. For example, a distillery must end service by 8 p.m. and cannot have live entertainment or games. He added, "Other entertainment has recently been called into question, including fun." He said there are a set number of licenses that can be issued per population. Other limitations include: a 3-ounce limit on volume of service and no bar stools at point of service. Mr. Howard remarked that most of the limitations are considered reasonable [by distillery operators]. He said currently there is an advisory notice requiring distilleries to produce 100 percent of what it serves within their tasting rooms. He said from its inception, Amalga Distillery has been making its own ginger beer, tonics, and mixers; therefore, it already had the facilities to make these things. He noted that many distilleries in Alaska are smaller operations that did not plan for such restrictions and do not have the infrastructure to make their own mixers. He imparted that it is challenging to make tonic water and Bloody Mary mix. He concluded, "So, the current advisory notice has ... really hurt."

[10:36:00 AM](#)

MR. HOWARD, in response to Representative Drummond, said BDL stands for "beverage dispensary license" and is considered a bar. He said REPL stands for "restaurant eating place" and is also called a beer and wine license. In response to another question, he said distilleries are not allowed to open before 9 a.m. Amalga Distillery's hours are 4 p.m. to 8 p.m., except for Saturdays when the distillery opens at 2 p.m. He said most of the day is spent on production - brewing three to five days per week and running the stills, with distillation running 8-16 hours.

[10:37:41 AM](#)

MR. HOWARD, in response to a question from Representative Rauscher, said HB 269 would not affect Amalga Distillery's hours of operation. In response to a follow-up question, he said the draw of the distillery may be its place in the increasingly popular field of craft brewing. Further, he suggested that people take pride in that which is made in their own community.

MS. SELENAK added that the Amalga Distillery opens at 1 p.m. during the summer as a response to increased tourism during that time. Other distilleries around the state estimate that up to 80 percent of their traffic is from tourists who want to experience flavors they can taste only in Alaska.

[10:40:15 AM](#)

MR. HOWARD responded to questions from Representative Saddler. He said the ratio of locals to tourists in the summer months varies depending on the time day: earlier in the day [when there are more tourists in town off the cruise ships] 80-90 percent of the distillery's traffic is tourism; later in the evening the ratio of tourist to locals is 60:40 or 50:50. He said when people travel, they like to go where the locals go, so Amalga Distillery built a space that locals love. He indicated that the business license has built-in features "to prohibit competition and that repeat customer." Notwithstanding that, he said, Amalga Distillery does have regulars. He said the distillery wants to be involved in the community and has created

a hospitable space to represent its brand. He said the distillery inspires people with new ways to use its product. He confirmed that the ability to showcase the distillery's product with mixes can help expand its customer base, and he reiterated that Amalga Distillery makes its own mixes.

MR. HOWARD, continuing response to Representative Saddler's questions, said Amalga Distillery has been open seven months and, as the newest distillery in the state, has seen the ratio of wholesale versus retail sales shift. Initially 100 percent of sales comprised bottles and cocktails sold over the counter; in December the majority of product was shipped out of Juneau to Anchorage and other Alaska communities. The distillery is ambitiously seeking export outside the state and country, so while currently retail is the higher focus, Mr. Howard predicted that the export number [would increase]. That said, he noted that because of the number of tourists supporting the distillery, the export number would not likely ever reach over 80 percent.

[10:46:32 AM](#)

MR. HOWARD, in response to a question from Representative Lincoln, said the current version of HB 269 restricts mixers with alcohol in them, such as vermouth and triple sec. He said, "If I had a dollar for every man that has come in off the cruise ship and slapped our bar and said, 'Pour me a martini with your gin,' I ... would actually have gotten a bit of a paycheck by now." He continued:

Would it be helpful? Yes. Do some states allow for it? Yes. Is Alaska there? For right now, I think that HB 269 addresses our issues in a really responsible way.

[10:47:56 AM](#)

MR. HOWARD, in response to a question from Representative Saddler as to whether being allowed to have barstools would affect the distillery, emphasized that being allowed to have seats at the bar and provide entertainment would be highly

beneficial for Amalga Distillery. He related that two elderly women had walked all the way from the cruise ship to the distillery and pulled seats up to the bar to rest, and he had to tell them they could not sit at the bar. In another instance, he had to tell two gentleman that playing cribbage in the distillery is illegal. Mr. Howard said there has been "an unfriendly business environment" wherein people have reported the distillery, which has had a notice of violation for a musical performance it did not solicit. He said the space itself seems to invite these activities and "we're all kind of fearing Folk Fest right now," because Juneau has musicians and artists who find opportunities for expression. He said there are some "unfortunate repercussions for the way regulations are built."

REPRESENTATIVE SADDLER asked if Mr. Howard sees himself coming before the legislature again in two years asking for barstools and music or if he would be content with the mixers, as under HB 269.

MR. HOWARD named breweries and cider houses around the state - Hoodoo Brewing Company in Fairbanks, Baranof Island Brewing Company in Sitka, Devil's Club Brewing Company in Juneau, and Double Shovel Cider Company in Anchorage - and remarked there is a new group of passionate entrepreneurs who want more than to make a dollar; they want to collaborate with local artists and businesses. He said, "I think that it's something that you could see in the future. Right now, of course, we just want to go back to a sound and stable regulatory environment so that we can focus on our businesses."

[10:53:42 AM](#)

JEDEDIAH BLUM-EVITTS, Production Technician, Port Chilkoot Distillery, concurred with the testimony from the founders of the Amalga Distillery. He said tourism is a major factor for Fort Chilkoot Distillery; tourists make the operation of the distillery possible. In response to Representative Saddler, regarding when a manufacturer crosses over to being a bar, Mr. Blum-Evitts reiterated that his role in the distillery is as production technician. Nevertheless, he said the business model

was created on the idea of serving cocktails to maintain a tasting room that represents the products not to have entertainment. He stated, "Following that model, I don't see why they would be looking to add on those extra things."

[10:56:10 AM](#)

CAITIE KIRBY, Tasting Room Manager, Port Chilkoot Distillery, stated that most of Port Chilkoot Distillery's income comes from summer sales. She related that she has been mixing cocktails and "not-cocktails" for the past year and a half. She echoed Mr. Blum-Evitts' remark that most of the business for the distillery comes from the cruise ship tourists, as well as people from Canada. She said people who have tried the distillery's gin somewhere else are excited to come to the distillery to try their favorite drink made with the distillery's gin, and she said having to tell them no is the worst part of her day. She said the distillery is a community gathering spot in the winter for regulars who don't want to hang out in a bar. She said the distillery would not be open in the winter if it could not "make those drinks for those regulars." Ms. Kirby noted this is her only job and "it's a nice thing to be part of."

[10:57:57 AM](#)

REPRESENTATIVE DRUMMOND relayed she had visited the Port Chilkoot Distillery in June of 2017, and she said the tasting room there is significantly smaller than that of Amalga Distillery. She asked what Port Chilkoot Distillery's hours of operation are.

MS. KIRBY answered winter hours are Wednesday through Saturday, 4 p.m. to 8 p.m., and summer hours are Monday through Saturday, 2 p.m. to 8 p.m. In response to Representative Rauscher, she said the distillery opened in 2013; the tasting room opened October 2014. Expanded hours for tourists begin mid-May, although there are some heliskiers that arrive late March. Beer Fest in late May brings people in. The season goes to mid-September. On a cruise ship day, there can be between 60-100 people at the distillery, which is a lot for the tiny space.

[11:01:13 AM](#)

MS. KIRBY, in response to a question from Representative Saddler as to what drew her to the industry, said she moved to Alaska with no job or plan, discovered the distillery, and now works with great people and has "developed a certain love for the industry." She added that people come in happy and leave happier.

MR. BLUM-EVITTS, to the same question, said he moved to Haines before the distillery opened and got to know its founders, now owners. He said he is "very craft and hands-on inclined" and found the process interesting, which led to his job there. In response to a follow-up question about the financial aspect of the business, he offered his understanding that the Port Chilkoot Distillery has just reached the point it will be able to pay off the debt invested to start the business.

[11:03:24 AM](#)

MR. BLUM-EVITTS, in response to Representative Lincoln, said the distillery sources its ingredients from Canada and Washington and tries to source locally as much as possible. The distillery makes its own mixers from local herbs and fruits.

[11:03:58 AM](#)

MS. KIRBY, in response to Representative Drummond, said she neither has had to cut anyone off nor has seen anyone intoxicated during her work at the distillery.

[11:05:03 AM](#)

ROBERT KLIEN, Chief Executive Officer (CEO), Anchorage Distillery; Chair, Alcohol Beverage Control Board (ABC Board), noted that the 4-1 vote mentioned previously by Mr. Hanson was actually 3-1 because, Mr. Cline said, he must recuse himself. He continued:

On advice of assistant attorney general, the ABC [Board] has seen that the original law that permitted tasting rooms did not specifically say cocktails. And despite the fact that Representative Tuck described that the original intent was for cocktails, it didn't appear in the law. And so, they have been just going through fits and starts and finally came out with a regulation, which I don't agree with, ... which said, "Okay, you can present nonalcoholic mixers, but you are restricted to just presenting a shot of ... up to three ounces of your product." I am so grateful to Representative Tuck to come through with this new legislation so that we can finally straighten this out.

MR. KLIEN recollected the bill sponsor's staff had shown a 545-page stack of public testimony of which 96 percent wrote in support of distilleries. He expressed appreciation to the committee for considering HB 269.

[11:08:12 AM](#)

MR. KLIEN, in response to Representative Rauscher, said there are distilleries that make more than one product. He relayed that the Anchorage Distillery makes whiskey, vodka, and gin. He offered his understanding that most distilleries concentrate on one or two items, but there is nothing in the licensing that would restrict them from distilling any kind of spirit. He said he would not speculate what that number would be.

[11:10:10 AM](#)

REPRESENTATIVE SADDLER asked Mr. Klien if he views HB 269 as the end of a process or whether it is a step in a continuing process of expanding allowable activities under the distillery license.

MR. KLIEN answered that HB 269 is specific in that it would define cocktails. He said there are other issues being reviewed by the AMCO staff, such as an attempt to define entertainment, and there may be additional legislation brought forward in that

regard. In terms of the scope of distilleries, he said that "most of us are pretty happy with it." He continued:

And I think that your attention will be turned to the industry when you see a House version of SB 76 come before you, because that's the one that really opens up opportunities to distilleries who want to grow well beyond just a tasting room; it actually would allow them to acquire beverage dispensary licenses [and] open a bar should they choose to.

[11:12:00 AM](#)

REPRESENTATIVE SADDLER determined that Mr. Klien was saying that "what defines the limits of a distillery license are being pursued on multiple paths": HB 269 addresses a short-term goal of defining what a cocktail is, while "the larger issue is still active in other legislation. He asked Mr. Cline to confirm if he is saying that "this is not going to be the end of this issue."

MR. KLIEN answered that's correct. In response to follow-up questions, he said Anchorage Distillery can provide its customers with small sample tastings; three to five products may be sampled, especially when tourists visit. He named some varieties. He said the samples are "miniscule" - about a quarter ounce. He specified that HB 269 addresses the permission to mix the cocktails. Currently customers can have cocktails but [the spirit(s) and the mixer(s)] must be presented separately. He said there are no restrictions on a customer bringing in a non-alcoholic mixer; however, he commented that what a customer brings in probably would not be as good as that which the distillery makes.

[11:16:03 AM](#)

MR. KLIEN, in response to Chair Parish, explained the reason for expediting HB 269 is because the ABC Board's 3 to 1 vote on its January 23 meeting came up with a regulation which would require distilleries to serve mixers separate from spirits; if HB 269 was passed, the regulation would not be signed.

[11:17:23 AM](#)

ROBYN DAVIES, Arctic Harvest Distillery, stated that the distillery has been open for less than a year. She said it is expensive to operate a distillery in Alaska. She said the public needs to be educated in what it takes to craft a spirit and "why it costs more than imported beer." She said the distillery makes malt whiskey, is starting production of vodka, and has plans to make other spirits. She said the distillery is located on a farm 22 miles from Fairbanks, and most people would not drive that far just for a shot of whiskey; therefore, the distillery offers tours of its operations along with the ability for patrons to taste a variety of cocktails made with its products "to highlight the unique taste" of the distillery's spirits. She said customers return when the distillery advertises a new product or cocktail or emphasizes "an agricultural activity." She said the Arctic Harvest Distillery would appreciate the quick passage of HB 269 to clear up the confusion over whether staff or a customer mixes a cocktail.

[11:19:57 AM](#)

MS. DAVIES, in response to Representative Rauscher, said the distillery grows and malts its own grain, makes its own rhubarb syrup, and produces its own honey. It buys any mixer it cannot make itself, such as Coca-Cola™. She said the distillery uses barley and wheat.

[11:22:45 AM](#)

ROB BORLAND, Ursa Major Distilling, imparted that Ursa Major Distilling is the smallest distillery in Alaska and one of the oldest. Having a tasting room has allowed the distillery to keep its doors open. Some of the product is sold in the liquor stores but the bulk is sold on premise. He compared the distillery to a small coffee roasting company that makes a local product in a communal gathering place. He said the spirits are, in most cases, meant to be served as a cocktail. He said Ursa Major Distilling built a community-minded business that raises

tax revenue for the state and tightens up the community. He stated support for HB 269.

[11:24:56 AM](#)

MR. BORLAND, in response to Representative Saddler, indicated that the distillery doesn't do a lot of free sampling - usually only for tourists and if a new product comes out to be sampled. He said the retail and wholesale usually is about 50/50. In terms of whether the distillery would like to extend to allowing barstools and entertainment, he said he does not want to work in a bar; he likes being able to close at 8 p.m. and not having to deal with drunk people.

[11:27:36 AM](#)

TOIVO LUICK, Owner, Hoarfrost Distilling, stated that the distillery opened its doors just over a year ago and makes only vodka. He said thus far production outstrips distribution. He emphasized that no distillery "pops up"; it takes a full year to get the required licensing before being able to produce alcohol. He said the tasting room is an important part of the business plan because it allows the distillery to showcase its product to potential customers and helps offset the cost of production. He said Hoarfrost does 20-30 percent tourist business and "a fairly decent-sized wholesale business." When the distillery started out, it was with the understanding that it would be allowed to serve up to three ounces of its vodka in "cocktail format"; however, that was changed recently by the ABC Board. He said that change was "a long, slow, painful process with lots of meetings and public testimony" Mr. Luick said Hoarfrost Distilling does not want to be in contention with bars, but there is a certain amount of competition that is inherent to the business. He reemphasized that the tasting room is a critical part of Hoarfrost Distilling's business plan.

[11:31:34 AM](#)

MR. LUICK, in response to Representative Saddler, said the tasters poured at the distillery range from one-eighth to one-quarter ounce. Tasting is encouraged because the distillery is

proud of its product and teaching what makes a good vodka. He said the distillery probably does slightly less than 50 percent in wholesale; stock is being increased for the summer right now; and the distillery obtained a wholesale distributor in October [2017]. He said he hopes he would not be back in the future to request further legislation asking permission to have bar stools and entertainment. He said he likes the way the distillery's tasting room operates, with no drunk or aggressive patrons. He said if the ABC Board were to interpret statute differently, he said he would reserve his right to "continue the way we are."

[11:35:00 AM](#)

JOSEPH W. GELDHOT offered that his background is as an attorney at law, but said he does not represent any of the distilleries present to testify. He said he has been a lawyer for over 35 years, including over 11 years as an assistant attorney general when he wrote legislation and prepared regulations. Mr. Geldhot stated that he is "a reluctant supporter of the measure before you." He said by allowing distilleries to operate in Alaska, the legislature opened opportunities for enterprise, and young people have borrowed money and started businesses. He indicated that "a goofball decision" in the Office of the Attorney General along with decisions made by a "rogue" and "hyperactive" executive director resulted in regulations that make no sense. He said the American rule is that if something is not prohibited in statute, then it is allowed; therefore, he said he does not know how some assistant attorney general decided that since cocktails are not defined they somehow are prohibited. He opined that the legislature should pass [HB 269] and should be asking serious questions of the Department of Law.

[11:38:32 AM](#)

REPRESENTATIVE SADDLER remarked that Mr. Geldhot had used the words "goofball," "rogue," and "hyperactive" in describing people and decisions, and he invited Mr. Geldhot to restate his comments in a more respectful manner.

[11:39:05 AM](#)

MR. GELDHOT replied that he would have used other language if he were in a locker room but chose "goofball" because he thinks [the regulations] are silly and the necessary response to them by the legislature a waste of the legislature's time.

[11:40:21 AM](#)

REPRESENTATIVE SADDLER asked Mr. Geldhot if he would like to take the opportunity to apologize to the person to whom he was referring.

CO-CHAIR PARISH asked that the discussion remain germane to the topic before the committee.

REPRESENTATIVE SADDLER stated that though people may disagree with the opinions of others, they should not disparage others. He said, "I want to give Mr. Geldhot the opportunity to apologize for his intemperate remarks."

CO-CHAIR PARISH stated, "As members of the legislature, we are bound by a very high code of conduct; members of the public are bound by ... their own discretion."

MR. GELDHOT said he has been involved with the legislative process long enough that he remembers when people were in fist fights in the capitol. He said he does not think what he said violated decorum. He said if a comment he makes is offensive to the individual, he would expect that individual to call him and discuss it, but he does not need another legislator to "broker an apology."

[11:42:25 AM](#)

KIMBERLY METCALFE testified in opposition to HB 269 as currently written. She said she is not against distilleries in Alaska and thinks new manufacturing businesses in Alaska are a good thing. She noted that Amalga Distillery in Juneau is doing good business and attracts a young crowd. She explained that the issue is not the distillery business, per se, but the way in which the state is going about licensing and regulating distilleries in general. She stated her concern is that

allowing distilleries to serve cocktails, whether mixed by a bartender or the customer, is allowing distilleries to act as a bar without a bar license. Ms. Metcalfe said bar licenses in Juneau cost about \$250,000 and are very limited in number. A distillery, on the other hand, can purchase a distillery license for a biennial fee of \$1,500 - a small price to pay for that kind of license - and the distillery is required to distill alcohol on the premises.

MS. METCALFE pointed out that as stated by previous testifiers, Amalga Distillery buys alcohol in bulk from Anchorage and [Port Chilkoot Distillery] buys alcohol from Canada and other places. She said the distilleries then flavor the alcohol with berries and herbs and run it through their stills, so it is considered stilled on site; however, she said the distilleries are not actually making the alcohol on the premises. She stated, "This process gives a distillery a huge advantage over bar owners who must buy distilled products from distributors and pay high prices for their products, which are heavily regulated both nationally and by the state." Ms. Metcalfe also noted that distilleries sell samples, also known as cocktails, for very low prices; the Amalga Distillery sells drinks for \$5 to \$6. Further, the Amalga Distillery has a comfortable seating area even though it is not supposed to have bar stools. She said, "To me, that's skirting the law. The law says no barstools and that's what it should be."

MS. METCALFE stated that the number of distillery licenses, like bar licenses, is based on population. There are approximately 30,000 people in Juneau, and based on one license for every 3,000, there could be 10 distillery licenses in Juneau. Based on Alaska's population of 738,432, as of 2015, that could translate in to 246 distillery licenses statewide. She continued as follows:

If those distilleries all operated as tasting rooms that served cocktails, that means we would have 10 more bars in Juneau, and between Anchorage and Mat-Su, there could be another 133 distillery licensees who are paying a fraction of the price of a bar license.

MS. METCALFE said she would like to see the law amended so that distilleries make the spirits they sell on site. She opined there needs to be a prohibition against importing the alcohol, flavoring it, distilling, then calling it a product distilled on site. She stated that the licensing of new distilleries should also be strictly limited. She said the fact that Alaska has a tremendous problem with alcohol abuse should make the legislature hesitant to support "an explosion of new licensing in this state of distillery businesses that are acting as bars without a bar license." She said distilleries selling "cheap product at happy hour prices" when happy hours are not allowed in Alaska and ignoring the barstool law puts established bars at a severe disadvantage. She stated, "A tasting room should be just that; it should be a place where customers can taste the product as it is. To allow craft cocktails is not what a tasting room should be doing."

MS. METCALFE said the legislature should ensure there is enforcement of the three-ounce limit. She asked the committee to consider how unfair to established businesses it is to allow a proliferation of distilleries that are de facto bars without strict regulations in place. She reiterated her concern about increasing the number of alcohol establishments in a state with an alcohol problem.

[11:47:46 AM](#)

MS. METCALFE, in response to Representative Drummond, confirmed she opposes HB 269, and she recapped some of her main points, as previously stated. In response to Chair Parish, she highlighted her main concerns, as previously stated.

[11:49:55 AM](#)

JIN SCHOLL talked about the certain ingredients and steps that must be done to make an Old Fashioned the correct way. He then pointed out that one of the ingredients was made by a young woman, who had a part-time job because of the use of that ingredient. He said, "That's an indirect job." He said distilleries are a basic industry because they create a spirit;

they have a better economic multiplier because they create new jobs, and that young woman is an example of that. He said he is sure it is a big deal to have a part-time job in Haines, Alaska. Mr. Scholl said he respectfully disagrees with Ms. Metcalf, because bars are not basic industries; they can serve as many drinks as they want. A distillery is a basic industry, he added, because it can only serve two drinks or three ounces. He concluded, "That's a big difference."

[11:53:39 AM](#)

BEN WILLIAMS offered his understanding that [the distillery] industry is regulated by the density of the population, the hours of operation, and the amount of liquor it can serve. He questioned AMCO's decision regarding nonalcoholic [mixers]. He said, "Since you can only serve three ounces of liquor that's produced on site, I don't really see any other reason other than if you're going to bring in liquor from off-site to create those three ounces, that would be a problem, but otherwise, what does it matter what it's mixed with?" He said the requirement for distilleries to close by 8 p.m. means there is not a lot of competition [with bars]. He said he and his spouse don't view [a distillery] as a bar. He said a distillery is a fun place to take out-of-towners when they come for a visit. He mentioned Amalga Distillery and Port Chilkoot Distillery and said he is more familiar with the latter. He stated support of HB 269 and said he thinks "it's kind of ridiculous where this has all gone." He added, "Mixing something with some booze does not inherently change the character of the booze."

[11:56:15 AM](#)

JANILYN HEGGER, Co-Owner, Skagway Spirits Distillery, stated that there is a lot of misinformation regarding license fees. She said the state fee for a manufacturer's license is \$1,000 biennially; the cost for a BDL is \$2,500. She said [distilleries] pay less than bars because they do not operate the same hours, offer far fewer services, and "don't get to have any fun." She indicated that an amount of \$250,000-\$300,000 had been mentioned in relation to licensing, and she emphasized that reflects market value - not the fee. She mentioned a survey

which reflects that distilleries spend between \$200,000 and \$500,000 just to start their businesses. To the comment that young people are in the industry, she related that she and her husband are above 60 years in age and have spent their life savings on an industry that excites them. Their son is their distiller. She said she has made a commitment to the community and to the state, which benefits from the taxes from the industry.

MS. HEGER offered her understanding that Ms. Metcalfe had said that "bars have all these advantages," and she said she does not see it that way. She said distilling is expensive. She acknowledged that some distilleries do import grain neutral spirits to distill; however, she emphasized distilleries start out, as an industry, with an economic disadvantage. She said "redistilling" is sanctioned by the federal government and is "a great way to start up a business and then add to it."

MS. HEGER said Skagway Spirits Distillery uses botanicals, including rhubarb, to make juices, tonics, and bitters, which is labor intensive but a great way to show off the distillery's product.

[12:01:59 PM](#)

MS. HEGER responded to questions from Representative Saddler. She said Skagway Spirits Distillery sells 60 percent in retail and 40 percent wholesale. She said the distillery did not acquire its license until June 23, [2017], so she expects the numbers will improve with a full year in 2018. She said the only issue she would like the legislature to revisit is [the ability] to offer entertainment as a community event or fundraiser. She concluded, "Having to turn anybody away to come in for anything other than the tasting is not really what we hope to be in terms of being supportive of our community."

[12:03:12 PM](#)

LARRY HACKENMILLER noted that although he is associated with Interior Cabaret, Hotel, Restaurant, and Retailers Association (ICHAR), he is testing on behalf of himself in opposition to HB

269. He said when House Bill 309 was passed, the term "de facto" was well-used in discussions related to the issue. He said the sponsor [of House Bill 309] had made it clear that "it was distilled spirits only that were for sale." He said the intent was to make distilleries equal to breweries and wineries, which can sell certain ounces of their product to the public for on-premise consumption. Prior to that legislation, he said, distilleries could sell their product only to licensees, such as bars, package stores, and wholesalers - they were not allowed to have people on the premises. The five distilleries that existed at that time did not have tasting rooms. Mr. Hackenmiller said once distilleries were granted tasting rooms, one of them immediately began selling vodka with vermouth in their martinis, even though he said they knew it was illegal. Once told, the distillery stopped. He said events such as yoga classes and wedding receptions are not allowed. A distillery is a manufacturer that can sample up to three ounces of its product. Mr. Hackenmiller said once distilleries start mixing drinks, whether by staff or by a customer, they are de facto a bar.

[12:06:53 PM](#)

TANIA CLUCAS testified that she supports the process of HB 269. She said bars have a clientele different from that of distilleries. She said she likes the ability to sample different alcohols in tasting rooms. She said if she were to order a Bee's Knees or an Old Fashioned at most bars, she would be given a hard time for ordering a drink like that, whereas distillery tasting room staff are "interested in sharing the variety of their offerings and how it can be done." She indicated there is no competition between [bars and distillery tasting rooms], and she opined that [distilleries] provide economic diversity in a state where manufacturing is not always simple. Ms. Clucas stated, "Putting some sort of barrier to the success of this licensed industry is just really small-minded and petty ..., and you should be bigger-minded and think about the greater success of our state and our community."

[12:10:41 PM](#)

CORINNE CONLON recalled that Representative Rauscher had asked why the Amalga Distillery is so popular, and she proffered it is because the distillery offers something unique in flavor and local sourcing. She mentioned [Mr. Howard's] use of the word "contrivance" [in relation to disallowing tasting room employees to add a mixer but allowing clientele to do so], and she said that is a key word. She said it seems that regulation related to House Bill 309 "is meant to take away the popularity of distilleries when we should be celebrating that we have opportunities for businesses to open around the state." She mentioned limitation on distilleries, such as hours and limited servings, and she sympathized with how difficult it would be, for example, to keep people [who want to come in and have a music jam] out of the distillery during Folk Fest. She said HB 269 provides clarity as to what distilleries can do to mix drinks; therefore, she stated support of the proposed legislation.

[12:13:40 PM](#)

HEATHER SHADE, Co-Owner, Port Chilkoot Distillery, testified that she and business partner Sean Copeland built their distillery business based on the provisions of House Bill 309, and it was clear that a tasting room was needed to promote their product, because being solely a production facility in rural Alaska was not an option for growth. She said now the distillery is a draw for tourists and a source of jobs for the community. Passage of HB 269 would allow the distillery to give tourists locally made spirits served as the producers intended them to be tasted, which she said means with mixers. She stated, "With that type of tasting experience, we are then able to offer tours, merchandise, and we can host a pretty endless stream of travel- and food-writers that come to Haines, that not only allow us to promote Alaska new products to the world, but allow us to promote our community as a tourist destination, and we believe [that] has been the main path to our success." Ms. Shade said without HB 269, she fears that the popularity of distilleries will wane, and owners will be forced to "set up shop in states with more accommodating laws." She said she would like to continue making a product she loves in Alaska. Ms. Shade said Port Chilkoot Distillery makes five products

using separate production techniques, including the milling of grain by hand and growing herbs on site. She reported that 75 percent of the distillery's product is sold wholesale. She said she would like to continue growing the business.

[12:17:25 PM](#)

MS SHADE, in response to Representative Lincoln, said the distillery makes vodka, gin, an absinth product, and three varieties of whiskey. She explained that about half of the products made by the distillery are made by receiving grain, which is cooked in water, to which yeast is added, then fermented, stillled twice, and aged for two years in a barrel. The gin and absinth products are made in the traditional world-wide method, which is to obtain neutral grain spirit from another facility that has a larger capacity. She explained that neutral grain spirit is alcohol that has been distilled to a certain point but is still an unfinished product. She said this method of procurement is regulated by the U.S. Tax and Trade Bureau. The distillery then makes a product from the neutral grain spirit; one way is by soaking or distilling certain herbs in it one to two times, adding more herbs, filtering, and bottling. She emphasized that it is far more expensive to produce a spirit in this manner than it is for a bar to purchase spirits from a wholesaler/distributor.

[12:20:16 PM](#)

MS. SHADE responded to questions from Representative Saddler. She said the distillery pays a 5.5 percent sales tax on anything sold in its tasting room, including samples, merchandise, and tours. She said the Borough of Haines has discussed adding an alcohol retail tax but has not done so to date. She imparted that in addition to the [\$1,000] license, the distillery pays an annual bottling plant license to the Department of Environmental Conservation, although she said she could not recall the amount. She said given the restrictions - limited hours and actual product that can be sold to each visitor to the distillery - "it seems proportional"; however, she said she does not know the business plans of [bars], which can sell unlimited volume and variety of alcohol.

REPRESENTATIVE SADDLER requested that information be sent to the committee.

[12:23:34 PM](#)

DEB HICKOK, President/Chief Executive Officer (CEO), announced that her testimony would put distilleries "in a tourism perspective." She said the Explore Fairbanks Board supported House Bill 309, and the board authorized her letter of 12/13/17, supporting clarification of House Bill 309. She said in general the board advocated for a common-sense approach to allow distilleries to serve their onsite manufactured spirits with nonalcoholic mixers and garnishments. She noted she had just mailed the letter to the committee, and in the letter is an article from the October 2015 issue of Alaska Airline's Beyond Magazine, titled: "Pioneering Spirits: Alaska Breweries and Distilleries Are Crafting Excellence." She said the article features Silver Gulch Brewing and Bottling Company, Ursa Major Distilling, and others around the state. She emphasized how valuable the appeal of locally grown products is to visitors. She said Explore Fairbanks' 2018 Visitors' Guide gives "a shout out to local cuisines, spirits, and markets," and mentions local distilleries and breweries. She added, "So, it's not a driver of tourism, but it certainly adds a dimension of things to do for visitors who ... very eagerly anticipate experiencing locals and local cuisine, and certainly the distilleries give that opportunity."

[12:26:11 PM](#)

MS. HICKOK answered questions from Representative Saddler. She said she doesn't have statistics regarding the ratio of wholesale to retail. She said the board has not reviewed HB 269 specifically; the letter she sent simply points to the need for clarification of House Bill 309. She indicated that [HB 269] seems to be a common-sense approach to allowing distilleries to mix nonalcoholic ingredients and garnishes to their products.

[12:27:42 PM](#)

GARY BLACK testified in support of HB 269. He said his professional career as features editor for the Fairbanks Daily News Miner regularly puts him in touch with distilleries and breweries. He clarified that he is testifying on his own behalf and not on the behalf of the news agency. Mr. Black said he sees the cultural, economic, and social impact of distilleries in Interior Alaska. He said when distilleries were doing "First Fridays" artists would display their works, guests would come in for cocktails, and the artists would earn money, which in turn would go back to the community. He said distilleries turned into cultural hubs and social centers; at one time there were yoga "events"; communities were brought together. He said, "It's a boon for the community." He encouraged the committee to "take a forward-looking approach in growing the economics of our local distilleries in Interior Alaska."

[12:29:37 PM](#)

ZACH ANDERSON testified in support of HB 269. He said he is brewer at the Alaskan Brewing Company and supports "a craft movement, not necessarily distilleries." He said he does not understand why a [customer] would be allowed to mix a drink but a trained employee would not. He said he grew up in Oregon, where the craft movement is the hub for culture. He said he has observed that Amalga Distillery not only has a great product but also provides a place for people to come and interact. He said, "The ambiance and what goes on there is just more than ... liquor." He referred to the repeated question from Representative Saddler as to whether changes would be needed in the future, and he said he thinks "that's pretty evident." He said bars are much different from craft locations; the latter are not there just to make money but also to promote a skill set that they've acquired, which in turn promotes education and less drinking. He said, "We've had an individual already speak of a connection between craft and bars. Bars are much different, and ... I think this reflects a level of ignorance that isn't needed to be said in these types of meetings." He reiterated his support for HB 269.

[12:32:19 PM](#)

JESSIE PALOMINO observed that most people who had testified in opposition to HB 269 have "some kind of vested interest in ensuring that their ... profits are protected to ... the maximum level." He said when [Amalga Distillery] opened, "it was a breath of fresh air." People could go for a cocktail, learn about the product being made, and discover ways to serve it. He said the distillery is an economic boon to Juneau. He offered his understanding that bars "offer very little" and, rather than providing space for local collaborations and artists to display their work, are there to "take people's hard-earned wages" and "support the alcohol problem that is so prevalent here in Alaska." By comparison, he said a brewery offers a different experience of "being able to go in and have a cocktail in a brightly lit room with educated people that are interested in talking to you and are very eager to be a part of the community."

[12:34:32 PM](#)

PAUL GUARDINIER testified in support of HB 269, which he dubbed, "The People v. CHARR." He explained that the bill is not about protection of public safety but rather about protection of the market value of bar licenses and elimination of competition. He said addressing public safety would mean "limiting some of the things that bars do" by [adjusting] closing hours, limiting the number of drinks served, and not "pushing people out into the streets" who are inebriated. Mr. Guardinier said he has been listening to recent ABC Board meetings and is astonished by an overall "excessive drive toward regulation," which he said is counter to everything he, as a 40-year resident, thinks "we want to go." He offered an example. He emphasized the need for Alaska to grow its economy and remarked that he is excited to see young people, who leave the state for school, return and start businesses.

MR. GUARDINIER, regarding the idea of an industry exploding, said he researched the history of distilleries and found that Ireland was the first commercial producer of distilled products. He noted that Ms. Metcalfe said there is a possibility of 100 distilleries in Alaska, based on population, but pointed out that there are only 16 distilleries in Ireland, which has been

distilling since 1625. He opined that the ABC Board is busy covering marijuana and does not need to be regulating tonic water. He expressed hope that the committee could move forward on HB 269.

[12:39:08 PM](#)

CO-CHAIR PARISH, after ascertaining that no one else wished to testify, closed public testimony on HB 269.

CO-CHAIR PARISH noted that the committee would look forward to invited testimony from a representative of the ABC Control Board at a future hearing on the proposed legislation.

[HB 269 was held over.]

[12:40:15 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at 12:40 p.m.