

HB

240



# Alaska State Legislature



## House of Representatives House Judiciary Committee

State Capitol, Room 120  
Juneau, Alaska 99801-1182  
(907) 465-4990

### **Sponsor Statement HB 240** **"An Act relating to brewery and brew pub licensing"**

The Brewers Guild of Alaska represents six breweries and five brewpubs operating in the state of Alaska. We are a growing industry that employs hundreds of Alaskans. The Brewers Guild is united in this bill in an effort to foster more equitable competition with breweries and brewpubs from outside of Alaska, while not harming small breweries in Alaska. In the State of Alaska, brewpubs and brewery licenses are exclusive licenses with different competitive markets, although the regular citizen sees no difference in these entities. Both Brewpubs and Brewery Licensees benefit from this bill, but if any of the core content is changed, then there will be an inequitable competitive landscape for either the breweries or the brewpubs.

Brewpubs are legally restricted to sell to consumers for consumption on their licensed premises and, with limitations, to consumers for off-premise consumption and to all other licensees through a distributor. Breweries are legally restricted to sell their product for off-site consumption whether to consumers, wholesalers or other licensees; breweries are also allowed to provide free samples of their product. The proposed legislation is a compromise between these licensees in order to improve the competitive environments of brewpubs and breweries, while not creating a significant impact on the competitive environments of other interested licensees, such as dispensary license owners and distributors.

This legislation increases the amount of beer a brewpub can produce (often referred to as the "production cap") from 150,000 gallons to 465,000 gallons. This cap is based upon the typical industry definition of the top level of production of a "microbrewery." In addition, this legislation increases the amount of beer a brewpub can sell to a licensed wholesaler from 15,000 gallons to 37,000 gallons. Outside brewpubs do not have a cap on the amount of beer they can sell in Alaska.

Current law allows breweries to provide free samples of their products. This legislation allows breweries to also charge for samples as is now common in tasting rooms in other states. Although there have been concerns voiced that this allows breweries to act as "taverns", this legislation includes restrictions that will differentiate the tasting rooms from the "tavern" concept, such as limited on-premise sales of only their beer, restricted hours of operation and a well-defined environment. The sale of samples allows breweries to help defray the costs of on-premise sampling while still providing the promotional and educational aspects of product sampling.

Finally, this legislation allows brewpubs in Anchorage and Fairbanks to self-distribute up to 200 barrels of beer per year. Under current law, brewpubs are required to use a wholesaler to distribute any beer off-premise. However, sales at this level are not necessarily profitable for the wholesaler, so it is difficult for a brewpub to initially get its product to the market. This change could potentially eliminate a competitive advantage to breweries in smaller communities in our state, thus the limitation of a population of 75,000 has been put in place to not harm the smallest of breweries.

The Brewers Guild is in support of this bill in its entirety.

**Finance Office**  
3401 Denali St., 202-A  
Anchorage, Alaska  
99503



**Gary J. Klopfer**  
Member Manager/Owner  
Phone: (907) 561-2274  
Fax: (907) 563-9354

March 28, 2006

House Labor & Commerce Committee Members

Re: HB 240 – Brewery & Brewpub Licensing

Dear Committee Members;

I am writing this letter in support of HB 240 and asking for your support of this bill.

Our fledgling brewing industry in Alaska has gone through many changes in the last ten years and this new legislation will continue to support our industry. As an industry, we employ hundreds of Alaskans, we pay ten of thousands of dollars in taxes, we buy millions of dollars in suppliers from Alaskan vendors and we have spent millions of dollars in construction and renovation costs for our establishments in Alaska. We have accomplished this in just the last ten years and I might add without any state subsidies or hand outs! All we ask for our industry is to be treated fairly and equitably considering our financial impact on the communities where we live.

As an industry, we formed the Brewers Guild of Alaska (BGA), to work together (breweries and brewpubs) on issues that we feel are in our best interest and in the interest of the citizens and the economy of Alaska. The BGA wholeheartedly supports this bill and I hope that you will support it also.

Thank you for your time and if you have any questions, please call me or email me at [gjklopfer@msn.com](mailto:gjklopfer@msn.com).

Sincerely,

*Gary J. Klopfer*



717 West Third Avenue, Anchorage, Alaska 99501 (907) 277-7727 [www.alaskabeers.com](http://www.alaskabeers.com)

**Craig Johnson**

---

**From:** Ben Millstein/KODIAK ISLAND BREWING CO [bmills@ak.net]  
**Sent:** Tuesday, March 28, 2006 2:00 PM  
**To:** Craig Johnson  
**Subject:** HB 240

Greetings to all interested persons,

As a member of the Brewer's Guild of Alaska running the Kodiak Island Brewing Company, LLC. I would like to express my support for HB240. The Guild has worked long and hard to arrive at a bill that we can all support, and that we believe addresses the concerns of businesses outside our guild. What we propose is in no way unusual when other state laws are examined. Please support this bill, and feel free to call me if you have any questions about it.

Thank you,

Ben Millstein  
Manager,  
Kodiak Island Brewing Co. LLC



4/14/08

Representative Lesil McGuire  
Chair, House Judicial  
State Capitol, Room 118  
Juneau, AK 99801-1182

RE: HB 240, Brewery & Brewpub Licenses

Dear Representative McGuire:

The above referenced bill will change alcohol licensing laws for Brewers and Brewpubs. It also does away with the three-tier system which defines types of licenses in Alaska.

We have met with the Brewers and Brewpubs and decided in order for the majority (Beverage Dispensary Licenses) to agree with the bill, BDL's should also benefit from the licensing changes.

The Anchorage CHARR board members agreed to compromise with the following:  
36 ounces for sale at Breweries  
Closing at 8pm for Breweries  
Delete "tasting rooms" or "rooms" from the bill and replace with licensed establishments  
Insert amendment (below) to benefit BDL's

Recommended language by the Anchorage CHARR board to read as follows:

**Notwithstanding (a) and (b) of this section, a beverage dispensary licensee or a licensee's agent or employee, or a holder of a general wholesale, wholesale malt beverage and wine licenses by non-resident brewer or the agent or employees of these licensees may provide, without charge, any customer a small sample of beer or wine for promotional purposes.**

It was our understanding throughout our negotiations with the brewpubs this would be included in the bill. It has been brought to our attention there is denial by the brewpubs of supporting this amendment and the wholesalers have now backed off on pushing the amendment forward. Frankly, we are tired of the less than honorable approach this group has exhibited throughout the negotiations. We never would have met with the brewpubs and breweries if we knew this was the end goal. If the above amendment is not included in HB240, Anchorage CHARR will oppose this bill.

The issue is simplistic: If the Brewpubs want to brew more beer they should apply for a brewer's license. If the Breweries want to sell individual beer they should apply for a full beverage dispensary license. We have heard the brewpub and brewery excuses and know they are unsubstantiated.

The reality is: It is cheaper and easier to change licensing legislation than it is to purchase the proper license to accomplish goals. This bill with the above amendment is designed to benefit all licensees, not for the profit of a few. What we appear to have is a stalemate and request time for further negotiations regarding our amendment.

Thank you!

Sincerely,

Chuck Edwards  
Government Affairs Chair

P.O. Box 111369, Anchorage, AK, 99511, 907 227-3423

# FISCAL NOTE

**STATE OF ALASKA**  
**2006 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
 Bill Version: CSHB 240(L&C)  
 (H) Publish Date: 4/18/06

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Public Safety  
 Title "An Act relating to brewery and brew pub licensing." RDU Alcoholic Beverage Control Board  
 Component AEC Board  
 Sponsor House Judiciary Committee  
 Requester House Labor and Commerce Committee Component No. 2690

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

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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

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

**FUND SOURCE** (Thousands of Dollars)

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

Estimate of any current year (FY2006) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

This legislation will not have a fiscal impact on expenditures for the Department of Public Safety. A very small increase in revenues could be realized if any of the existing brewpubs were to upgrade to a brewery and pay the corresponding increased license fees.

Prepared by: Director Douglas B. Griffin  
 Division: Alcoholic Beverage Control Board  
 Approved by: Commissioner William Tandeske  
 Agency: Department of Public Safety

Phone 907-269-0351  
 Date/Time 3/21/06 9:02 AM  
 Date 3/21/2006