

SB 2711

SD1 HD1

A BILL FOR AN ACT

RELATING TO INTOXICATING LIQUOR.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

- 1 SECTION 1. Section 281-31, Hawaii Revised Statutes, is
2 amended as follows:
- 3 1. By amending subsection (n) to read:
- 4 "(n) Class 14. Brewpub license. A brewpub licensee:
- 5 (1) May sell malt beverages manufactured on the licensee's
6 premises for consumption on the premises;
- 7 (2) May sell malt beverages manufactured by the licensee
8 in brewery-sealed packages to class 3 wholesale dealer
9 licensees pursuant to conditions imposed by the county
10 by ordinance or rule;
- 11 (3) May sell intoxicating liquor purchased from a class 3
12 wholesale dealer licensee to consumers for consumption
13 on the licensee's premises. The categories of
14 establishments shall be as follows:
- 15 (A) A standard bar; or
- 16 (B) Premises in which live entertainment or recorded
17 music is provided. Facilities for dancing by the



1 patrons may be permitted as provided by
2 commission rules;

3 (4) May, subject to federal labeling and bottling
4 requirements, sell malt beverages manufactured on the
5 licensee's premises to consumers in brewery-sealed
6 kegs and recyclable and reusable containers and sell
7 malt beverages manufactured on the licensee's premises
8 or purchased from a class 1 manufacturer licensee, a
9 class 3 wholesale dealer licensee, a class 14 brewpub
10 licensee, or a class 18 small craft producer pub
11 licensee to consumers in growlers for off-premises
12 consumption; provided that for purposes of this
13 paragraph, "growler" means a [~~glass, ceramic, or metal~~
14 ~~container,~~] recyclable or reusable container not to
15 exceed one [~~half-gallon,~~] gallon, which shall be
16 securely sealed;

17 [~~(5) May, subject to federal labeling and bottling~~
18 ~~requirements, sell malt beverages manufactured on the~~
19 ~~licensee's premises in recyclable containers provided~~
20 ~~by the licensee or by the consumer which do not exceed~~
21 ~~one gallon per container and are securely sealed on~~



1 ~~the licensee's premises to consumers for off-premises~~
2 ~~consumption;~~
3 ~~(6)]~~ (5) Shall comply with all [~~regulations~~] requirements
4 pertaining to class 4 retail dealer licensees when
5 engaging in the retail sale of malt beverages;
6 ~~(7)]~~ (6) May, subject to federal labeling and bottling
7 requirements, sell malt beverages manufactured on the
8 licensee's premises in brewery-sealed containers
9 directly to class 2 restaurant licensees, class 3
10 wholesale dealer licensees, class 4 retail dealer
11 licensees, class 5 dispenser licensees, class 6 club
12 licensees, class 8 transient vessel licensees, class 9
13 tour or cruise vessel licensees, class 10 special
14 licensees, class 11 cabaret licensees, class 12 hotel
15 licensees, class 13 caterer licensees, class 14
16 brewpub licensees, class 15 condominium hotel
17 licensees, class 18 small craft producer pub
18 licensees, and consumers pursuant to conditions
19 imposed by county [~~regulations~~] ordinances or rules
20 governing class 1 manufacturer licensees and class 3
21 wholesale dealer licensees; and



1 ~~[(8)]~~ (7) May conduct the activities under paragraphs (1)
2 to ~~[(7)]~~ (6) at ~~[one location]~~ locations other than
3 the licensee's primary manufacturing premises;
4 provided that:

5 (A) The manufacturing takes place in Hawaii; ~~[and]~~

6 (B) The other locations operate under the same trade
7 name within the State; and

8 ~~[(B)]~~ (C) The other ~~[location is]~~ locations are
9 properly licensed ~~[under the same ownership.]~~ as
10 a class 1 manufacturer licensee, class 2
11 restaurant licensee, class 4 retail dealer
12 licensee, class 5 dispenser licensee, class 12
13 hotel licensee, class 14 brewpub licensee, or
14 class 18 small craft producer pub licensee within
15 any county of the State."

16 2. By amending subsection (r) to read:

17 "(r) Class 18. Small craft producer pub license. A small
18 craft producer pub licensee:

19 (1) Shall manufacture not more than:

20 (A) ~~[Sixty]~~ Three hundred fifty thousand barrels of
21 malt beverages statewide provided that not more



- 1 than one hundred twenty-five thousand barrels of
2 malt beverages[+] shall be manufactured at a
3 single location;
- 4 (B) Twenty thousand barrels of wine; or
- 5 (C) Seven thousand five hundred barrels of alcohol on
6 the licensee's premises during the license year;
7 provided that for purposes of this paragraph, "barrel"
8 means a container not exceeding thirty-one gallons or
9 wine gallons of liquor;
- 10 (2) May sell malt beverages, wine, or alcohol manufactured
11 on the licensee's premises for consumption on the
12 premises;
- 13 (3) May sell malt beverages, wine, or alcohol manufactured
14 by the licensee in producer-sealed packages to class 3
15 wholesale dealer licensees pursuant to conditions
16 imposed by the county by ordinance or rule;
- 17 (4) May sell intoxicating liquor purchased from a class 3
18 wholesale dealer licensee to consumers for consumption
19 on the licensee's premises. The categories of
20 establishments shall be as follows:
- 21 (A) A standard bar; or



1 (B) Premises in which live entertainment or recorded
2 music is provided. Facilities for dancing by the
3 patrons may be permitted as provided by
4 commission rules;

5 (5) May, subject to federal labeling and bottling
6 requirements, sell malt beverages manufactured on the
7 licensee's premises to consumers in producer-sealed
8 kegs and recyclable or reusable containers and sell
9 malt beverages manufactured on the licensee's premises
10 or purchased from a class 1 manufacturer licensee, a
11 class 3 wholesale dealer licensee, a class 14 brewpub
12 licensee, or a class 18 small craft producer pub
13 licensee to consumers in growlers for off-premises
14 consumption; provided that for purposes of this
15 paragraph, "growler" means a [~~glass, ceramic, or metal~~
16 ~~container,~~] recyclable or reusable container not to
17 exceed one [~~half-gallon,~~] gallon, which shall be
18 securely sealed;

19 (6) May, subject to federal labeling and bottling
20 requirements, sell [~~malt beverages,~~] wine[~~,~~] or
21 alcohol manufactured on the licensee's premises in



1 recyclable containers provided by the licensee or by
2 the consumer which do not exceed:

3 (A) One gallon per container for [~~malt beverages and~~]
4 wine; and

5 (B) One liter for alcohol; and
6 are securely sealed on the licensee's premises to
7 consumers for off-premises consumption;

8 (7) Shall comply with all [~~regulations~~] requirements
9 pertaining to class 4 retail dealer licensees when
10 engaging in the retail sale of malt beverages, wine,
11 and alcohol;

12 (8) May, subject to federal labeling and bottling
13 requirements, sell malt beverages, wine, and alcohol
14 manufactured on the licensee's premises in producer-
15 sealed containers directly to class 2 restaurant
16 licensees, class 3 wholesale dealer licensees, class 4
17 retail dealer licensees, class 5 dispenser licensees,
18 class 6 club licensees, class 8 transient vessel
19 licensees, class 9 tour or cruise vessel licensees,
20 class 10 special licensees, class 11 cabaret
21 licensees, class 12 hotel licensees, class 13 caterer



1 licenses, class 14 brewpub licenses, class 15
 2 condominium hotel licenses, class 18 small craft
 3 producer pub licenses, and consumers pursuant to
 4 conditions imposed by county [~~regulations~~] ordinances
 5 or rules governing class 1 manufacturer licenses and
 6 class 3 wholesale dealer licenses; and

7 (9) May conduct the activities under paragraphs (1) to (8)
 8 at [~~one location~~] five locations other than the
 9 licensee's primary manufacturing premises; provided
 10 that:

11 (A) The manufacturing takes place in Hawaii; [~~and~~]

12 (B) The other locations operate under the same trade
 13 name within the State; and

14 [~~(B)~~] (C) The other [~~location is~~] locations are
 15 properly licensed [~~under the same ownership.~~] as
 16 a class 1 manufacturer licensee, class 2
 17 restaurant licensee, class 4 retail dealer
 18 licensee, class 5 dispenser licensee, class 12
 19 hotel licensee, class 14 brewpub licensee, or
 20 class 18 small craft producer pub licensee within
 21 any county of the State."



1 SECTION 2. Section 281-33.6, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "§281-33.6 Direct shipment of [~~wine~~] liquor by [~~wineries-~~]
4 producers. (a) Any person holding:

5 (1) A general excise tax license from the department of
6 taxation; and

7 (2) Either:

8 (A) A class 1, class 14, class 16, or class 18
9 license to manufacture [~~wine~~] liquor under
10 section 281-31; or

11 (B) A license to manufacture [~~wine~~] liquor issued by
12 another state,

13 may pay any applicable fees and obtain a direct [~~wine~~] liquor
14 shipper permit from the liquor commission of the county to which
15 the [~~wine~~] liquor will be shipped authorizing the holder to
16 directly ship [~~wine~~] liquor to persons in the county pursuant to
17 this section.

18 (b) The holder of a direct [~~wine~~] liquor shipper permit
19 may sell and annually ship to any person twenty-one years of age
20 or older in the county that issued the permit, no more than six
21 nine-liter cases of wine, no more than forty-two gallons of



1 beer, and no more than two nine-liter cases of spirits per
2 household for personal use only and not for resale, and shall:

3 (1) Ship [~~wine~~] liquor directly to the person only in
4 containers that are conspicuously labeled with the
5 words:

6 "CONTAINS ALCOHOL: SIGNATURE OF PERSON AGE 21 YEARS
7 OR OLDER REQUIRED FOR DELIVERY.";

8 (2) Require that the carrier of the shipment obtain the
9 signature of any person twenty-one years of age or
10 older before delivering the shipment;

11 (3) Report no later than January 31 of each year to the
12 liquor commission in each county where a direct [~~wine~~]
13 liquor shipper permit is held, the total amount of
14 [~~wine~~] liquor shipped to persons in the county during
15 the preceding calendar year;

16 (4) Pay all applicable general excise and gallonage taxes.
17 For gallonage tax purposes, all [~~wine~~] liquor sold
18 under a direct [~~wine~~] liquor shipper permit shall be
19 deemed to be [~~wine~~] liquor sold in the State; and

20 (5) Be subject to audit by the liquor commission of each
21 county in which a permit is held.



1 (c) The holder of a license to manufacture [~~wine~~] liquor
 2 issued by another state may annually renew a direct [~~wine~~]
 3 liquor shipper permit by providing the liquor commission that
 4 issued the permit with a copy of the license and paying all
 5 required fees. The holder of a class 1, class 14, class 16, or
 6 class 18 license to manufacture [~~wine~~] liquor under section 281-
 7 31 may renew a direct [~~wine~~] liquor shipper permit concurrently
 8 with the class 1 license by complying with all applicable laws
 9 and paying all required fees.

10 (d) The sale and shipment of [~~wine~~] liquor directly to a
 11 person in this State by a person that does not possess a valid
 12 direct [~~wine~~] liquor shipper permit is prohibited. Knowingly
 13 violating this law is a misdemeanor.

14 (e) The liquor [~~+~~commission~~+~~] in each county may adopt
 15 rules and regulations necessary to carry out the intent and
 16 purpose of this section."

17 SECTION 3. Statutory material to be repealed is bracketed
 18 and stricken. New statutory material is underscored.

19 SECTION 4. This Act shall take effect on July 1, 2112.



Report Title:

Brewpubs; Small Craft Producer Pubs; Direct Shipping;
Manufacturers

Description:

Amends conditions and requirements for sale of liquor by class 14 brewpub and class 18 small craft producer pub licensees. Permits sale at multiple locations statewide. Increases maximum production ceiling for class 18 licensees. Allows direct shipping of all forms of liquor, rather than just wine, by certain licensees. (SB2711 HD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.





Lanikai Brewing Company
175 Hamakua Drive, Unit C
Kailua, Hawaii 96734
www.lanikaibrewing.com

3/18/2018

RE: SB 2711 SD1, HD1 Relating to intoxicating liquor.

Aloha Chair, Vice Chair as well as all members of the Consumer Protection and Commerce

Lanikai Brewing Company is a locally owned and operated Craft Brewery here on Oahu and we are in support of SB2711.

My name is Steve Haumschild, and I live in Kailua, Hawaii. We are supportive of the Second location Clause aka "Satellite locations" as this will allow manufacturers like ourselves to open more locations across the state while keeping a single manufacturing facility. As the costs and process of creating a licensed manufacturing facility are high, it is logical that we can grow our manufacturing facilities larger to become more cost efficient and produce more products. While a process exists to allow us to create other manufacturing facilities on other islands, its cost prohibitive and negatively stunts growth to have multiple breweries all within the same distribution region. We are supportive that we can brew on one island and be properly permitted on any other license class on another island in a more clear and seamless manner. We request that the second locations be available under the same Brand but are not required to be the same license type.

We are supportive of the Growler Clarification as the current law is slightly confusing with flip-flopping between package sizing. This clarification allows more modern container packages also that did not exist previously. By making it a simple clarification of Up to 1 gallon, and a recyclable container it eliminates the ambiguity.

We are supportive of Direct Shipping as this will create parity among wine, spirits and beer. Reciprocity exists where to ship beer, wine or spirits to another State, Hawaii would allow beer, wine or spirits to be shipped in (includes new tax revenue, new licenses, as well as protective provisions for age verification). My company is a great example. We currently are working to export our 100% Hawaii made beer to the Mainland and beyond. However, due to Hawaii's imbalance between importing and exporting, there are no "less than container" loads for cold shipping. Therefore, for us to be able to open new markets, it requires us to sell 10-20 Pallets of product (Hundreds of thousands in value) and ship it to the new location. This is a giant

financial risk as it does not allow us to methodically test new market and grow into them in a more fiscally responsible manner.

By Direct Shipping, we could prove to distributors that the market place is prepared for our products with concrete data to de-risk the opportunity for us as well as our future partners all while still growing jobs in Hawaii and expanding our distribution.

Thank you for the opportunity to send testimony. This bill will absolutely create new jobs here in Hawaii, strengthen our Made in Hawaii brand value for locals and visitors, as well as allow the industry to flourish and expand. Further, due to the costs of manufacturing here locally, this would allow us small business owners to be more competitive on the national scale furthering growth of jobs here in Hawaii.

Lanikai Brewing Company is an Island Inspired® authentic Hawaiian craft beer company making 100% of our brews here in Hawaii. We take our cues from premium, local, rare, and exotic ingredients grown by local farmers and foraged across the Pacific to bring you bold and flavorful beers that you will find nowhere else utilizing Hawaiian terroir. **Please note that variances in growing season conditions can impact batch-to-batch flavor and aroma profiles.

‘Ōkole Maluna,

Steven R Haumschild

Steve Haumschild, MBA
CEO & Brewmaster
Certified Cicerone®
Lanikai Brewing Company, Island Inspired™ Craft Beer

Kauai Beer Company

James Guerber
4265 Rice Street
Lihue, HI 96766
98080 639 7821
jim@kauaibeer.com



SB2711, S.D.1, H.D.1
Relating to Intoxicating Liquor

House Committee on Consumer Protection and Commerce,
Tuesday, March 20, 2018 at 2:00 pm. Conference Room 329
Chair Roy Takumi, Vice Chair Linda Ichiyama, and House Members of the Committee
on
Consumer Protection and Commerce,

Position: Support with amendments

My name is Jim Guerber and I am the President of the Kauai Beer Company, located in downtown Lihue, Kauai on Rice Street. We have been in business here since 2006 and began formally serving beer in September 2013. We have been instrumental in the effort to revitalize our downtown and are widely recognized for our contribution in that regard. We are in the process of renovating an adjacent space, which will dramatically enhance our ability to serve a larger customer base, increase production and increase our personnel, which is presently 34 full and part-time personnel.

The Kauai Beer Company supports SB2711, S.D.1, H.D.1 because it addresses inconsistencies and increases uniformity in laws regarding liquor manufacturing and sales, relating to the second location clause and the growler law. Additionally, passage of this bill will expand the current direct shipping laws to include Hawaii's breweries and distillers.

The following offers more details on the aforementioned three items:

Second location clause – Satellite Location

Provides more consistency and uniformity for craft beer establishments across the state. Breweries start up with a manufacturing location and when they expand to a second location, will want to sell their retail products at the new establishment, including the ability to sell at a second location under the same trade name in another county.

This bill promotes local manufacturing. Hawaii's craft breweries have more opportunities to get their products in the marketplace with this bill because it enables the retail sale of

craft brewing products at a second properly licensed location, including when the primary manufacturing and second location are not in the same county.

Consistency in the Growler law

Growlers, crowlers, and other types of reusable and recyclable containers are very popular with our customers. Sales of our craft beer products in these containers continue to increase. We support the use of environmentally friendly container materials and expansion of the term growler to recyclable or reusable container.

The definition of growler is currently inconsistent for our business and our customers. We support using growler to mean “a recyclable and/or reusable container up to one gallon in size”

Direct Shipping

Breweries that are just starting out and smaller sized craft breweries don't usually have access to distributors that will export their beer out of state. This bill is proactive in providing an opportunity for direct shipping to new markets and a wider customer base.

Direct shipping increases the viability of small craft breweries by allowing export of our products to our current brewery fans and potential new customers.

Direct shipment of wine is already allowed. Expanding the statute to allow defined amounts of beer, spirits and wine under the term liquor achieves parity across all three categories of beverage alcohol, expanding marketplace options for Hawaii's beverage alcohol manufacturers

Thank you for the opportunity to provide testimony in support of SB2711, S.D.1, H.D.1.

Sincerely,

Jim Guerber
President
Kauai Beer Company



WAIKIKI BREWING COMPANY

Joe P. Lorenzen, Partner/Brewmaster
831 Queen St.
Honolulu, HI 96813
808-591-0387
brewmaster@waikikibrewing.com

SB2711, S.D.1, H.D.1

Relating to Intoxicating Liquor

House Committee on Consumer Protection and Commerce,
Tuesday, March 20, 2018 at 2:00 p.m. Conference Room 329

Chair Roy Takumi, Vice Chair Linda Ichiyama, and House Members of the Committee on Consumer Protection and Commerce,

Position: Support with amendments

My name is Joe Lorenzen. I live in Honolulu, on the island of Oahu, and I am a partner in and Brewmaster of Waikiki Brewing Company with business locations in Waikiki and in Kaka'ako.

We support SB 2711 S.D. 1 H.D.1; with amendments offered by the Hawaiian Craft Brewers Guild. for the following reasons:

The satellite location clause allows for us to increase our business (and therefore increase jobs and tax revenues) by allowing us to perform the same business operations at multiple licensed premises including other counties. This bill supports local manufacturing by allowing Hawaiian craft breweries more opportunities to get their product into the marketplace.

The clause that creates consistency in the definition of growlers allows for clarity for both retailers and consumers. Growlers are popular with consumers due to the sustainability of filling a re-usable container with beer. This law would help to add consistency to the definition of a growler while also allowing for new types of re-usable containers to be used, which further encourages sustainability by promoting re-usable containers as opposed to disposable.

The direct shipping clause allows new markets for Hawaiian craft brewers. While wine producers already enjoy the ability to ship their products direct to consumers, brewers and spirit producers do not. This bill allows for parity across all three categories of beverage alcohol, with producers able to increase revenues

and manufacturing jobs in Hawaii by selling their products to fans in other states.

Mahalo for your consideration. We urge you to pass this bill.

Thank you for the opportunity to provide testimony in support of SB 2711 S.D. 1; H.D.1

Sincerely,

Joe P. Lorenzen



March 19, 2018

**House Committee on Consumer Protection and Commerce
Tuesday, March 20th, 2018, 2pm
State Capitol, Conference Room 329**

Re: **SB2711 SD1**, RELATING TO INTOXICATING LIQUOR, SUPPORTING TESTIMONY

Chair Roy Takumi, Vice Chair Linda Ichiyama, and House Members of the Committee on Consumer Protection and Commerce,

My name is Garrett W. Marrero, I live in Kula, HI. We have locations on Maui in Lahaina and Kihei, and on Oahu in Waikiki and Kailua. We distribute across the Hawaii, 23 States, and 13 countries. We began in 2005 with 26 team members and have added more than 500 to our team. My wife and I were selected as the National Small Business Persons of the year in 2017 for our work at Maui Brewing Co. I'm writing on behalf of myself and our local family-operated business in support of **SB2711** which clarifies various items in current liquor laws; namely the second location clause, and the growler law. Additionally, passage of this bill will expand the current direct shipping laws to include Hawaii's breweries and distilleries.

I briefly cover the Growler and Direct shipping issues below and its seems those are widely supported. I focus more intently on the "Satellite Location" clause (as we now call it) as it seems there are some inaccurate conclusions from testimony I have read.

Growler Clarification

This section is universally supported as it simplifies and clarifies rules. Current law is confusing and states a growler as up to "one-half gallon" but elsewhere states recyclable containers of "one gallon". Due to the growth of craft beer across the United States vendors now offer options in aluminum, stainless, plastic, ceramic and more in a multitude of sizes. We support the clarifying language where a growler be defined as "a recyclable and/or reusable container up to one gallon in size".

Direct Shipping

This seems to be universally supported by testimony submitted prior. Hawaii has specific Direct Shipping laws allowing the direct shipping of wine by wineries. The system exists to allow reciprocity; eg allow wine in, allow wine out. Taxes must be paid, licenses issued, proper shipping rules ensuring proper age of recipient and etc. We are seeking the change in these rules to allow the same rights afforded to Wineries be conferred to Hawaii's breweries and distilleries as we manufacture locally and wish to export our products directly. The majority of smaller breweries do not have access to distribution as they are often too small to attract a wholesaler partner. We feel that it is imperative to their survival that access be given to retail to consumers around the world. This serves to increase the viability of a small craft brewery and to increase Hawaiian exports bringing attention to the growing brewing scene in Hawai'i. In order to accomplish this, we feel that HRS 281-33.6 can expand upon its direct shipping rules to allow reciprocity for not just wine but beer

Handcrafted Ales & Lagers Brewed with Aloha
605 Lipoa Parkway, Kihei, HI 96753
808.213.3002

and spirits as well. This would also achieve fairness and parity across the three categories of beverage alcohol. The local wineries and distilleries support this amendment.

Second Location Clause aka “Satellite Locations”

Currently as you see HRS 281 allows for Class 14 and 18 licensees to operate another location within the State so long as its properly licensed. This is to encourage and allow a producer to manufacture at one central plant and sell their products through other owned establishments. It does not make sense to have multiple manufacturing sites due to the extreme cost and complicated licensing at the Federal, State and Local levels. This clause was added in order to promote local manufacturing. Investing in one larger production facility yet allowing the retail rights to be conferred to additional locations in the State for retail but not manufacturing purposes. The current County system presents a challenge as the language in 281 is being misconstrued or just ignored. A clarification is necessary to ensure that a business manufacturing on one island, can sell its products on another island under the proper license.

Case in point, Maui Brewing Co. Waikiki cannot currently sell Maui Brewing Co. (MBC) products at retail as the current rules are being interpreted by the departments across two counties require a signoff of the “home” county. Unfortunately, the home county maintains they have no jurisdiction and therefore cannot give a ruling. As such, our cans of locally brewed beer that are sold at retail to visitors to our Kihei location and Kahana location cannot be sold to visitors of our Waikiki and I assume our soon to open Kailua location. This is contrary to the intent of State law meant to encourage not discourage local production and sale. To clarify further, we are not stating that a brewpub or SCP be allowed to brew or manufacture under second location, however they must be allowed to sell at retail. The rule needs clarification in order to direct Liquor Commissions to allow businesses to thrive across the State. The current State law is in place to do so and the directive needs to be made.

We support this bill with amendments as proposed by our local trade guild. We have met extensively with local liquor departments and feel confident that we are aligned in the goals of this bill. Having worked with various LC officials to create language for the amendments we are pleased that we can stand together in support.

Thank you for the opportunity to offer these comments.

Sincerely,



Garrett W. Marrero
CEO/Founder



Cindy Goldstein
Executive Director
Hawaiian Craft Brewers Guild
98-814 C Kaonohi Street
Aiea, HI 96701

SB2711, S.D.1, H.D.1
Relating to Intoxicating Liquor

House Committee on Consumer Protection and Commerce,
Tuesday, March 20, 2018 at 2:00 p.m. Conference Room 329

Chair Roy Takumi, Vice Chair Linda Ichiyama, and House Members of the Committee on
Consumer Protection and Commerce,

Position: **Support with amendments**

The Hawaiian Craft Brewers Guild is a non-profit Hawaii trade organization that seeks to promote production of independent craft beer in Hawaii. The number of independent craft breweries in Hawaii continues to grow, and several breweries have recently, or are in the process of expanding. The Hawaiian Craft Brewers Guild is united in our pursuit to promote economic activity for Hawaii's beer manufacturers and enhance opportunities in our communities. Our members represent the majority of the craft beer producers in Hawaii, with members producing 100% of their beer in Hawaii.

SB2711 S.D.1, H.D.1 includes three subject areas under HRS Section 281 addressing inconsistencies and increasing uniformity in laws regarding liquor manufacturing and sales. The Hawaiian Craft Brewers Guild continues to discuss provisions of SB2711 S.D.1, H.D.1 with our county liquor commissions across the state to share common craft beer manufacturing terminology and increase understanding of legislation related to craft beer and liquor.

Growler containers

The Hawaiian Craft Brewers Guild supports the language in SB2711 S.D.1, H.D.1 for the term growler, simplifying and standardizing the term to mean a container of up to one gallon. Expanding the term growler to include recyclable or reusable container recognizes the environmentally friendly practices of small craft brewery customers and businesses and the expansion of types of container materials from glass to metal, plastic, and other recyclable or reusable materials.

Satellite location other than primary manufacturing premises

The Hawaiian Craft Brewers Guild supports SB2711, S.D. 1, H.D.1 because it provides more consistency and uniformity for the craft beer producers across the state.

Small craft breweries start with an investment in a manufacturing location to begin production of their craft beer. Expansion to a satellite location often follows. SB2711, S.D.1, H.D.1 recognizes the expansion of Hawaii's craft breweries.

The brewpub or small craft producer license holder often has no intention of manufacturing at the second location, but will have the desire to carry out retail sales of their products at their satellite location. The “second location” clause is meant to address inconsistencies where the second location is in another county. If no manufacturing occurs at the satellite location, this should, by default, not require the same class of license (14, 18) but rather a class of license for the business activity at the second location such as a restaurant.

The class of license should reflect the activities of the operation. A satellite location establishment should not need a license to manufacture if there is in fact no production at the second location. A requirement for the same license as the primary location would be costly and time consuming, given that no manufacturing is part of the second satellite location. This was recently discussed with liquor commission representatives from across the state to more clearly explain and clarify that the production and manufacturing location would have the required class 14 or 18 license. As the brewery establishes a second location in the same or in another county, the satellite location should be expected to hold a class license that reflects the business activities at the location.

Direct shipment of liquor by producers

SB2711, S.D. 1, H.D.1 proposes to expand HRS 281-33.6 direct shipping rules to allow reciprocity for not just wine, but also to include beer and spirits. Direct shipment of wine into and out of Hawaii is already allowed. Expanding the statute to allow defined amounts of beer, spirits and wine to be exported under the term liquor achieves parity across all three categories of beverage alcohol.

Breweries that are just starting out and smaller sized craft breweries don't usually have access to distributors that will export their beer in or out of State. SB2711 S.D. 1, H.D.1 is proactive in providing an opportunity for Hawaii's craft beer businesses to offer products through direct sales to new markets and a wider customer base. This has the greatest benefit for small craft breweries that often cannot find wholesaler partners yet deserve access to market.

Direct shipping increases the viability of small craft breweries by allowing export of our products manufactured in Hawaii to current brewery fans and potential new customers. We support SB2711, S.D. 1, H.D.1 that fosters expanded marketplace options for Hawaii's beverage alcohol manufacturers.

The Hawaiian Craft Brewers Guild appreciates consideration of SB2711, S.D.1, H.D.1 and the amendments offered below. We urge you to pass this bill. Thank you for the opportunity to provide testimony in support.

We offer the following amendments:

1. Page 2, line 6, change “and” to “or”
kegs and recyclable and or reusable containers and sell
2. Page 4, line 6 , add “satellite”:
(B) The other satellite locations operate under the same trade
3. Page 4, line 8, add “satellite”:
(C) The other [~~location is~~] satellite locations are
4. Page 4, line 16, add section (D)
(D) The county liquor department of the county in which the licensee satellite is located shall have jurisdiction of the satellite. All requirements of the license class of the

location shall be in effect as required by county liquor commission for the satellite licensed premises.

5. Page 8, line 12, add "satellite":

(B) The other satellite locations operate under the same trade

6. Page 8, line 14, add "satellite":

(C) The other [~~location is~~] satellite locations are

7. Page 9, line 1, add section (D)

(D) The county liquor department of the county in which the licensee satellite is located shall have jurisdiction of the satellite. All requirements of the license class of the location shall be in effect as required by county liquor commission for the satellite licensed premises.



64-1066 Mamalahoa Highway
Kamuela, Hawaii, 96743

T 808-887-1717
F 808-885-0653
BigIslandBrewHaus@Yahoo.Com

BigIslandBrewHaus.Com

March 18, 2018

SB2711, S.D.1, H.D.1
Relating to Intoxicating Liquor

House Committee on Consumer Protection and Commerce,
Tuesday, March 20, 2018 at 2:00 p.m. Conference Room 329

Chair Roy Takumi, Vice Chair Linda Ichiyama, and House Members of the Committee
on Consumer Protection and Commerce,

Position: Support with amendments

Position: Strong Support

Big Island Brewhaus was founded initially in 2008 with 9 original employees as a community gathering place serving local cuisine and hand-crafted beers. We have grown into a team of 40 Big Island residents that sells award winning beers throughout Hawaii and is focused on using local sources for our food and beer. We have done this in the face of significant challenges to growth at all levels; financial, shipping, taxation, legislative and more. Changes like this bill can help us continue our success and help others to do the same. We appreciate the ongoing support of all individuals and legislators who support issues which enable local manufacturers and businesses to thrive in Hawaii.

I wish I could be present at this hearing in Honolulu, but I need to be present at my business during this hearing. Thank-you for reading my testimony, I look forward to supporting in person as I am able.

Growler containers

The Big Island Brewhaus along with other members of the Hawaiian Craft Brewers Guild supports the language in SB2711 S.D.1, H.D.1 for the term growler, simplifying and standardizing the term to mean a container of up to one gallon. Expanding the term growler to include recyclable or reusable container recognizes the environmentally friendly practices of small craft brewery customers and businesses and the expansion of

types of container materials from glass to metal, plastic, and other recyclable or reusable materials.

Satellite location other than primary manufacturing premises

The Big Island Brewhaus along with other members of the Hawaiian Craft Brewers Guild supports SB2711, S.D. 1, H.D.1 because it provides more consistency and uniformity for the craft beer producers across the state.

Small craft breweries start with an investment in a manufacturing location to begin production of their craft beer. Expansion to a satellite location often follows. SB2711, S.D.1, H.D.1 recognizes the expansion of Hawaii's craft breweries.

The brewpub or small craft producer license holder often has no intention of manufacturing at the second location, but will have the desire to carry out retail sales of their products at their satellite location. The "second location" clause is meant to address inconsistencies where the second location is in another county. If no manufacturing occurs at the satellite location, this should, by default, not require the same class of license (14, 18) but rather a class of license for the business activity at the second location such as a restaurant.

The class of license should reflect the activities of the operation. A satellite location establishment should not need a license to manufacture if there is in fact no production at the second location. A requirement for the same license as the primary location would be costly and time consuming, given that no manufacturing is part of the second satellite location. This was recently discussed with liquor commission representatives from across the state to more clearly explain and clarify that the production and manufacturing location would have the required class 14 or 18 license. As the brewery establishes a second location in the same or in another county, the satellite location should be expected to hold a class license that reflects the business activities at the location.

Direct shipment of liquor by producers

SB2711, S.D. 1, H.D.1 proposes to expand HRS 281-33.6 direct shipping rules to allow reciprocity for not just wine, but also to include beer and spirits. Direct shipment of wine into and out of Hawaii is already allowed. Expanding the statute to allow defined amounts of beer, spirits and wine to be exported under the term liquor achieves parity across all three categories of beverage alcohol.

Breweries that are just starting out and smaller sized craft breweries don't usually have access to distributors that will export their beer in or out of State. SB2711 S.D. 1, H.D.1 is proactive in providing an opportunity for Hawaii's craft beer businesses to offer products through direct sales to new markets and a wider customer base. This has the greatest benefit for small craft breweries that often cannot find wholesaler partners yet deserve access to market.

Direct shipping increases the viability of small craft breweries by allowing export of our products manufactured in Hawaii to current brewery fans and potential new customers. We support SB2711, S.D. 1, H.D.1 that fosters expanded marketplace options for Hawaii's beverage alcohol manufacturers.

The Big Island Brewhaus along with other members of the Hawaiian Craft Brewers Guild appreciates consideration of SB2711, S.D.1, H.D.1 and the amendments offered below. We urge you to pass this bill. Thank you for the opportunity to provide testimony in support.

We offer the following amendments:

1. Page 2, line 6, change “and” to “or”
kegs and recyclable and or reusable containers and sell
2. Page 4, line 6 , add “satellite”:
(B)The other satellite locations operate under the same trade
3. Page 4, line 8, add “satellite”:
(C) The other [~~location is~~] satellite locations are
4. Page 4, line 16, add section (D)
(D) The county liquor department of the county in which the licensee satellite is located shall have jurisdiction of the satellite. All requirements of the license class of the location shall be in effect as required by county liquor commission for the satellite licensed premises.
5. Page 8, line 12, add “satellite”:
(B) The other satellite locations operate under the same trade
6. Page 8, line 14, add “satellite”:
(C) The other [~~location is~~] satellite locations are
7. Page 9, line 1, add section (D)
(D) The county liquor department of the county in which the licensee satellite is located shall have jurisdiction of the satellite. All requirements of the license class of the location shall be in effect as required by county liquor commission for the satellite licensed premises.

Mahalo for your consideration, We urge you pass this bill. Thank-you for the opportunity to provide testimony in support of SB2711 S.D.1.

Sincerely,
Thomas D. Kerns
Thomas Kerns
Founder & Brewer
Big Island Brewhaus
64-1066 Mamalahoa Highway
Kamuela, HI, 96743
BigIslandBrewhaus@yahoo.com



March 19, 2018

SB2711, S.D.1, H.D.1
Relating to Intoxicating Liquor

House Committee on Consumer Protection and Commerce,
Tuesday, March 20, 2018 at 2:00 p.m. Conference Room 329

Chair Roy Takumi, Vice Chair Linda Ichiyama, and House Members of the Committee on Consumer Protection and Commerce,

Position: **Support with amendments**

My name is Geoffrey Seideman, I live in Hawaii Kai, Oahu, and I am the Owner and Brewer of Honolulu BeerWorks brewery in Kaka'ako. Mahalo for the opportunity to submit testimony, I apologize that I could not be there in person as my growing business needs me present. I am writing on behalf of our local family-operated business, Honolulu Beerworks, in support **SB2711, SD1, HD1**, which addresses inconsistencies and increases uniformity in laws regarding liquor manufacturing and sales.

Satellite locations - second location clause

SB2711 ,S.D.1, H.D.1 provides more consistency and uniformity for craft beer producers across the state. We have seen small craft breweries in Hawaii start up in a first manufacturing location to begin producing their craft beer and then expand to a second location. If no manufacturing is intended for the second location, proper licensing would be expected for the type of establishment, but a manufacturing license should not be needed for the new establishment if no craft beer production occurs there.

This bill simplifies expansion to a satellite location when the primary manufacturing and second location carrying out retail sales are not in the same county. Craft beer producers often want to sell their canned and bottled retail products at the second outlet where no manufacturing takes place.

SB2711, S.D.1, H.D.1 allows more opportunities for Hawaii's craft beer manufacturers to get their products into the marketplace.

Honolulu Beerworks
328 Cooke St, Honolulu HI. 938 13
808-589-2337

Consistency in the Growler law

Growlers, crowlers, and other types of reusable and recyclable containers are very popular with our customers. Sales of our craft beer products in these containers continue to increase. We support the use of environmentally friendly container materials and expansion of the term growler to recyclable or reusable container.

The definition of growler is currently inconsistent for our business and our customers. We support using growler to mean a container not to exceed one gallon.

Direct Shipping

Breweries that are just starting out and smaller sized craft breweries don't usually have access to distributors that will export their beer out of state. This bill is proactive in providing an opportunity for direct shipping to new markets and a wider customer base.

Direct shipping would allow reciprocity for Hawaii's producers with other states. Taxes are still paid, licenses issued, and proper shipping rules would be followed. SB2711, S.D. 1, H.D.1 increases the viability of small craft breweries by allowing export of our products to our current brewery fans and potential new customers.

Direct shipment of wine is already allowed. Expanding the statute to allow defined amounts of beer, spirits and wine under the term liquor achieves parity across all three categories of beverage alcohol, expanding marketplace options for Hawaii's beverage alcohol manufacturers.

Honolulu Beerworks is a small, independent craft brewery located in the heart of Kaka'ako. We opened in 2014 with 18 employees and have undergone 3 expansions since then. We now currently employ 36 and have our eyes on expanding again in the near future.

Mahalo for your consideration. We urge you to pass this bill.

Thank you for the opportunity to provide testimony in support of SB2711, SD1, HD1.

Sincerely,

Geoffrey Seideman

Owner/Brewer

Honolulu Beerworks
328 Cooke St, Honolulu HI. 93813
808-589-2337



506 Keawe Street
Honolulu, Hawaii, 96813

T 808-596-2526
troy@realgastropub.com

realgastropub.com

March 19, 2018

House Committee on Consumer Protection and Commerce,
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SB2711, S.D.1, H.D.1
Relating to Intoxicating Liquor

House Committee on Consumer Protection and Commerce,
Tuesday, March 20, 2018 at 2:00 p.m. Conference Room 329

Chair Roy Takumi, Vice Chair Linda Ichiyama, and House Members of the Committee on
Consumer Protection and Commerce,

Position: **Support with Amendments**

REAL a gastropub was founded initially in 2012 with 18 original employees as a community gathering place serving local cuisine and hand-crafted beers. We are relocating, rebuilding our flagship and incorporating a 7BBL brewery named Bent Tail Brewing Company into our new location at Keauhou Lane in Kakaako. We will be able to grow into a team of 40 Honolulu residents that sells award winning beers throughout Oahu and with a focus on using local sources for our food as we have since our opening and now add this principal to our beer. We have done this in the face of significant challenges to growth at all levels; financial, shipping, taxation, legislative and more. Changes like this bill can help us continue our success and help others to do the same. We appreciate the on-going support of all individuals and legislators who support issues which enable local manufacturers and businesses to thrive in Hawaii.

Growler containers

Current statute is confusing with growlers described as half gallon and as one gallon. REAL a gastropub / Bent Tail Brewing Company supports standardizing and simplifying the definition of growler to mean a container of up to one gallon. Initially growlers were made from glass. As their popularity has increased, growlers are now made from a wider range of environmentally friendly reusable or recyclable materials. We support terminology that reflects this change in container materials, defining growler as a recyclable or reusable container.

Locations other than primary manufacturing premises – Satellite locations

Hawaii's craft breweries are increasing in number with the addition of new start up brewery businesses and expansion of existing businesses. Breweries may have an initial or primary manufacturing premises and expand with a new satellite establishment, sometimes in a second county. The "second location" clause is meant to address inconsistencies where the second

location may not be a production facility, but to be a satellite location to allow activities such as dispensing and retail sales under the same trade name without requiring another production license. Often a small brewery can produce enough beer to support two dispensing and retailing satellite locations thus allowing the small brewer to utilize some efficiency as an economy of scale. Original investments in even small production facilities can be enormous and multiple income streams from the economy of scale can help support small local manufacturers. A brewpub or small craft producer license holder may have no intention of manufacturing at the second location, but still have the desire to carry out dispensing and retail sales of their products at their second satellite establishment. This would, by default, not require the same class of license (14, 18) but rather a restaurant or retailer class license as no production would occur on site. We support SB 2711, S.D. 1, H.D 1 which seeks to address and clarify inconsistencies and expands retail and dispense operations of local craft brewers.

Direct shipment of liquor by producers

SB 2711, S.D. 1, H.D 1 proposes to expand HRS 281-33.6 direct shipping rules to allow reciprocity for not just wine, but also to include beer and spirits. Direct shipment of wine is already allowed. Expanding the statute to allow defined amounts of beer, spirits and wine under the term liquor achieves parity across all three categories of beverage alcohol.

Breweries that are just starting out and smaller sized craft breweries don't usually have access to distributors that will export their beer in or out of State. SB 2711, S.D. 1, H.D 1 is proactive in providing an opportunity for Hawaii's craft beer businesses to offer products through direct sales to new markets and a wider customer base. These are breweries that often cannot find wholesaler partners yet deserve access to market.

Direct shipping increases the viability of small craft breweries by allowing export of our products manufactured in Hawaii to our current brewery fans and potential new customers. We support SB 2711, S.D. 1, H.D 1 that fosters expanded marketplace options for Hawaii's beverage alcohol manufacturers.

Hawaiian manufacturing and producers operate under the highest cost conditions of any State. This has served to limit the availability of true, locally produced selections and give rise to a host of "faux-Hawaiian" products. As an isolated State we must invest in local manufacturing, these are jobs with good wages and benefits that can provide careers for our residents. Further if Hawaii is to continue to compete in the world of tourism it is important for us to deliver an authentic Hawaiian experience in our products; this bill helps us to continue on our path of recent growth and success.

Mahalo for your consideration, we urge you pass this bill. Thank-you for the opportunity to provide testimony in support of SB 2711, S.D. 1, H.D 1.

Sincerely,

Troy Terorotua

Troy Terorotua

Founder & Owner

REAL a gastropub / Bent Tail Brewing Co

605 Keawe Street

Honolulu, HI, 96813

troy@realgastropub.com

Cell# 808-741-7373



March 19, 2018

To: The Honorable Chair Takumi, Vice Chair Ichiyama and Members of the Committee on Consumer Protection and Commerce

From: Kona Brewing Co.
Mary Rait; Director, Regulatory Compliance and Government Relations

RE: SB2711 SD1 HD1; Relating to Intoxicating Liquor; **In Support**
March 20, 2018; Conference Room 329

Kona Brewing Co. appreciates the opportunity to provide testimony on a bill that advances the craft brewing industry in Hawaii. Kona Brewing Co. **supports** SB2711 SD1 HD1 and urges its passage.

Kona Brewing Co. runs our flagship brewery out of Kailua-Kona, Hawaii, and currently produces more than 12,000 barrels of beer per year on island. The company was started by a father and son team in 1994, who had a dream to create fresh, local island brews made with spirit, passion, and quality. Starting this spring, Kona Brewing Co. will be expanding our pub and brewery operations in Hawaii to include a new state-of-the-art, 30,000 square-foot facility. In addition to creating more local jobs, this expansion will increase our annual on-island production capacity from 12,000 to 100,000+ barrels of malt beverages. Kona Brewing Co. is proudly invested in the future of Hawaii, and therefore feels passionate about promoting the craft beer industry and advocating for environmental responsibility and sustainability.

Kona Brewing Co. appreciates the legislature's recognition of the popularity and potential of the craft beer industry in Hawaii and your support in increasing the Class 18 production limits. This change will help promote growth, create good jobs, and improve economic development statewide so Hawaii's craft brew industry can innovate and thrive.

Mahalo for the opportunity to provide testimony on SB 2711 SD1 HD1. We respectfully ask that your committee pass this bill.

Sincerely,

A handwritten signature in cursive script that reads "Mary Rait".

Mary Rait
Kona Brewing Co.