

Honolulu, Hawaii

MAR 01 2019

RE: S.B. No. 773
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirtieth State Legislature
Regular Session of 2019
State of Hawaii

Sir:

Your Committee on Commerce, Consumer Protection, and Health,
to which was referred S.B. No. 773 entitled:

"A BILL FOR AN ACT RELATING TO INTOXICATING LIQUOR,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Allow a class 18 small craft producer pub licensee to manufacture not more than 125,000 barrels of malt beverages on the licensee's premises during the license year;
- (2) Clarify that a class 14 brewpub licensee or class 18 small craft producer pub licensee may conduct certain activities at satellite locations other than the licensee's primary manufacturing premises under certain conditions;
- (3) Clarify the definition of growler; and
- (4) Allow direct shipment of all forms of liquor, rather than just wine, by certain licensees.

Your Committee received testimony in support of this measure from the Hawaiian Craft Brewers Guild, Maui Brewing Company, REAL Gastropub/Bent Tail Brewing Company, Waikiki Brewing Company,



Honolulu BeerWorks, Kauai Beer Company, and Big Island Brewhaus. Your Committee received testimony in opposition to this measure from the Hawai'i Alcohol Policy Alliance, Hawaii Partnership to Prevent Underage Drinking, Hawaii Liquor Wholesalers Association, and six individuals. Your Committee received comments on this measure from the City and County of Honolulu Liquor Commission and Hawaii Food Industry Association.

Your Committee finds that small craft breweries typically start with investing in a manufacturing location to begin production of their craft beer with a smaller, retail satellite location to follow, usually in a different county. A single manufacturing site can produce enough beer to support more than one location. Requiring a retail site to hold a manufacturing license when no craft beer production occurs there is an extremely costly and complicated process. This measure addresses inconsistencies in existing law to ensure that a business manufacturing on one island can sell its products on another island under the proper license.

Your Committee further finds that the popularity of growlers, a type of container used to transport beer, continues to increase. Although growlers were originally made from glass, they are now made from a wider range of environmentally friendly reusable or recyclable materials. This measure simplifies and standardizes this term by defining growler to mean a recyclable or reusable container not to exceed one gallon.

Your Committee additionally finds that existing law already allows direct shipment of wine into and out of the State, but not beer or liquor. Restricting local manufacturers from delivering authentic Hawaiian products to out-of-state supporters and potential customers gives rise to a host of "faux-Hawaiian" products, and can further limit local manufacturing and tax revenues for the State. This measure achieves parity across all categories of beverage alcohol and increases the viability of local, small craft breweries.

Your Committee has amended this measure by making technical, nonsubstantive amendments for the purposes of clarity and consistency.



As affirmed by the record of votes of the members of your Committee on Commerce, Consumer Protection, and Health that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 773, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 773, S.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Commerce, Consumer
Protection, and Health,



ROSALYN H. BAKER, Chair



