

Chairman Klein and esteemed members of the Industry, Business and Labor Committee,

My name is Doug Larsen, Senator from Mandan's District 34.

I don't intend to make you microbrewery beer experts, but I do want to talk a bit about the two different systems or types we have in the state, I will also be talking about the three main things that this bill will do for the industry.

The two types are Tap Rooms and Brewpubs.

Tap rooms function to allow a brewery to make beer and serve/sell only their product. If we went to a place like Buffalo Commons, located in the fine city of Mandan—you would be tap room. The only beer that my constituent could offer you would be what they have made on premise. If could were offered, it would be from an outside vendor—a food truck or some type of vendor.

They allowed to make up to 25,000 barrels of beer per year. A barrel of beer 31 gallons and would make two traditional kegs of beer or 15.5 gallon kegs. They are allowed to self-distribute up to 10K barrels per year. They are allowed to sell 'off-sale' up to a quantity of 5.16 gallons per day or what is commonly referred to as a 1/6-barrel keg. These are the same height as the more commonly known keg—only smaller in diameter.

Whereas a Brewpub is allowed to function more like a garden variety bar. They are allowed to sell other beer for instance, they are allowed to have a kitchen and sell food. An example of a brewpub would be Laughing Sun in District ?? of Bismarck.

The brewpub is allowed to make up to 10,000 barrels of beer, is not allowed to distribute, and can sell off-sale up to 3 gallons per day. The quantity has been further defined as to up to a case of beer per day per person. These quantities found their beginning with the idea of the growler. Many years ago, a 1-gallon growler (or jug) was a common size that a customer would purchase and take home. Through advances in packaging, the growler is less common.

There are three primary things that this bill will accomplish

1. First it will allow for contract brewing. Contract brewing would allow a brewer to use another facility to brew their beer. Examples of this might be equipment breaking or some type of other limitation at the requestors facility. The brewed beer quantities would count against the brewer that is having it brewed—not the facility that is doing the brewing.

This was assumed to be allowed during the last session, however the tax department has requested that 'clarifying language' be added. There does not seem to be any resistance to clarifying the language or the idea of contract brewing.

2. The second thing the bill will accomplish is increasing the amount that the brew pub and tap room are allowed to sell via 'off-sale.' This bill would standardize the amount to 5.16 gallons or a 1/6-barrel keg. This would increase the quantity from 3 to 5.16 gallons. Growlers are no longer popular and personal kegerators are tending market. They do not make a 3-gallon keg—your options are either 5.16 or 15.5 gallons. No change would be seen on the 'tap room' only standardizing the container size for off sale between a tap room and brew pub.
3. Currently both tap rooms and brew pubs are allowed to purchase 20 event permits per year whereas distilleries and wineries are allowed 40 per year. An event might be something like "Arts in the Park," "Buggies and Blues," or similar community or business venture. This bill will increase that to 40. Though they are not 'using' all of them presently, decisions are being made from time to time of what to do and not because of the limitation.

The point of this bill to add clarifying language recommended by the tax department as it pertains to contract brewing and standardizing – standardizing sizes between the brew pub and tap house into sizes that are currently being used as well as number of events allowed between the members of the industry.

I urge a DP and will stand for questions, however—more informed people are scheduled to speak next.