

FISCAL NOTE
Requested by Legislative Council
01/21/2015

Bill/Resolution No.: SB 2325

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB 2325 allows the tax commissioner to issue multiple brewer taproom licenses to a single owner or operator.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

If enacted, SB 2325 may result in a few additional brewer taproom licenses being issued resulting in additional annual fees. The amount of additional fees is not expected to exceed \$5000.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*
- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*
- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Name: Kathryn L. Strombeck

Agency: Office of Tax Commissioner

Telephone: 328-3402

Date Prepared: 02/01/2015

2015 SENATE INDUSTRY, BUSINESS AND LABOR

SB 2325

2015 SENATE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee
Roosevelt Park Room, State Capitol

SB 2325
2/3/2015
Job Number 23066

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Relating to multiple brewer taproom licenses

Minutes:

Attachments

Chairman Klein: We will reconvene the meeting.

Senator Murphy: Written Testimony Attached (1). (:35-2:05)

Todd Sattler, President of the Dakota Brewers Guild: Written Testimony Attached (2). (2:50-7:25)

Jared Hardy, Fargo Brewing Company: One of the cofounders of the Fargo Brewing Company located north Fargo. They produce a variety style of beer in their location in Fargo and distribute it sell to distributors throughout North Dakota, South Dakota and Minnesota. They had a total production of five thousand barrels. They would like to have a secondary location to help with production. (8:56-10:30)

Mike Frohlich, Laughing Sun Brewing Company: The bill is really important to their business. They opened up in 2012 as a brew pub and once the tap room legislation was passed they switched over to the tap room brewers license. Sell their own product and are pretty much maxing out their own space and have plans to grow. They would like to open another facility that is more production focused. (10:50-14:14)

Chairman Klein: Closed the hearing.

Senator Murphy: Moved a do pass.

Senator Campbell: Seconded the motion.

Roll Call Vote: Yes-6 No-0 Absent-1

Senator Murphy will carry the bill.

**2015 SENATE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. SB 2325**

Senate Industry, Business and Labor Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar

Other Actions: Reconsider _____

Motion Made By Senator Murphy Seconded By Senator Campbell

Senators	Yes	No	Senators	Yes	No
Chairman Klein	x		Senator Murphy	x	
Vice Chairman Campbell	x		Senator Sinner	x	
Senator Burckhard	x				
Senator Miller	-				
Senator Poolman	x				

Total (Yes) 6 No 0

Absent 1

Floor Assignment Senator Murphy

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2325: Industry, Business and Labor Committee (Sen. Klein, Chairman) recommends DO PASS (6 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2325 was placed on the Eleventh order on the calendar.

2015 HOUSE INDUSTRY, BUSINESS AND LABOR

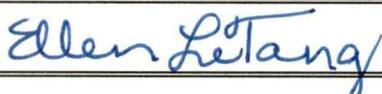
SB 2325

2015 HOUSE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee
Peace Garden Room, State Capitol

SB 2325
3/10/2015
24604

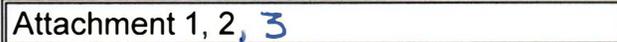
- Subcommittee
 Conference Committee



Explanation or reason for introduction of bill/resolution:

Multiple brewer taproom licenses.

Minutes:



Chairman Keiser: Opens the hearing on SB 2325.

Senator Phil Murphy~District 20: (Attachment 1).

2:15

Representative Ruby: Is 25 thousand barrels plenty adequate?

Senator Murphy: I believe they will have trouble reaching that threshold.

Todd Sattler~President of the North Dakota Brewers Guild: (Attachment 2).

9:00

Representative Ruby: Are we getting to the point of malting capabilities in this state?

Sattler: I certainly hope so. The barley is grown here but is not manufactured here. We have spoken to some interested parties that might be doing that. With legislation that is proposed today, you will see more breweries come into the state and that will make it viable for a malting business.

Vice Chairman Sukut: Does each tap room have to have a liquor license or do they fall one?

Sattler: Under the federal level, we have to apply separately.

Vice Chairman Sukut: North Dakota distributors are in this bill, how do they fit into this mix?

Sattler: They are part of the equation and they distribute for a lot of the breweries except for a few. Sometimes we are self-distributors now but doesn't mean that at some point in the future, we wouldn't enter into an agreement with the wholesalers.

Representative Beadle: When you apply for the existing brewer tap room license with the state. Do you apply individually or as a LLC?

Sattler: As the entity.

Representative Beadle: If I were to open another tap room, would I have to operate as a LLC and if I wanted to open a satellite tap room, would I have to have the other location operated by that same LLC or if I have 5 partners and 4 of us wanted to do it, so we created the LLC 2. Would that be able to operate under that same license?

Sattler: I haven't research that situation. Without the research, my opinion would be ok doing that as long as the one partner was doing something else with some other brewery.

Representative Beadle: I need capital investments for my brewery. I have 5 partners and added a 6th as a private equity investor, is he now precluded from also investing in another brewing company?

Sattler: I think that statement is right but I think it would legal research.

Aaron Hill~One of the owners in Fargo Brewing: (Attachment 3).

18:10

Mike Frohlich~Head Brewer-Co-owner of Laughing Sun Brewing Company: We do need to make more beer. We will make just about under 600 barrels this year. We are strapped to full capacity so everything we make is gone. We are a community and don't see it as a competition. I would like to ask for your support.

Representative Laning: How much grain does it take to a make a barrel of beer?

Froehlich: Last year we produce 435 barrels and used about 50,000 pounds of malt. Now we get about 3 tons of month. It cost more to make our beers because we use premium ingredients.

Chairman Keiser: Anyone else here to testify in support to SB 2325, opposition, neutral. Closes the hearing, what are the wishes of the committee?

Representative Devlin: Moves a Do Pass.

Representative Boschee: Seconded.

Roll call was taken on SB 2325 for a Do Pass with 13 yes, 0 no, 2 absent and Representative Ruby will carry the bill.

Date: Mar 10, 2015

Roll Call Vote: 1

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2325

House Industry, Business & Labor Committee

Subcommittee Conference Committee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations

Other Actions: Reconsider _____

Motion Made By Rep Devlin Seconded By Rep Boschee

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	x		Representative Lefor	x	
Vice Chairman Sukut	x		Representative Louser	x	
Representative Beadle	x		Representative Ruby	x	
Representative Becker	x		Representative Amerman	x	
Representative Devlin	x		Representative Boschee	x	
Representative Frantsvog	AB		Representative Hanson	AB	
Representative Kasper	x		Representative M Nelson	x	
Representative Laning	x				

Total (Yes) 13 No 0

Absent 2

Floor Assignment Ruby

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2325: Industry, Business and Labor Committee (Rep. Keiser, Chairman)
recommends **DO PASS** (13 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING).
SB 2325 was placed on the Fourteenth order on the calendar.

2015 TESTIMONY

SB 2325

Testimony for 2325 - Multiple taproom licensing

Mr. Chairman and Committee members: I am Senator Phil Murphy representing District 20 - the buffer zone between Fargo and Grand Forks for a sixty mile stretch along I-29.

This bill represents the agreement reached between the Brewers Guild, the ND Distributors and ND Hospitality Assoc. SB 2325 allows brewers to open more than one taproom in the state. So, in other words, the Fargo Brewing Company, currently in one location limited to brewing up 25,000 barrels/yr, could establish another brewery taproom, but cannot exceed that same barrel limit no matter how many locations they established. All of their sites combined cannot exceed 25,000.

In my opinion, the ambience that this industry affords our downtowns has been a major player in the renaissance or rebirth we are seeing in those locations. It also known as economic development and job creation and I applaud the three parties involved in reaching this agreement for their foresight and recognition. Mr. Chairman, there are two or three representatives of the Brewers Guild that would like to testify, and while I stand for questions, I have told you just about all I know.



SB 2325 – Supported
 Tuesday, February 3, 2015
 Senate Industry, Business and Labor Committee
 Todd Sattler, President, North Dakota Brewers Guild
 Todd@laughingsunbrewing.com
 701.391.2849

Mr. Chairman and members of the committee, my name is Todd Sattler. I am here on behalf of the North Dakota Brewers Guild and am currently its president. I am also co-owner of Laughing Sun Brewing Company, here in Bismarck. The Brewers Guild is a North Dakota non-profit corporation. Our purpose is to promote craft brewing and protect the interests of the craft brewing community in North Dakota.

Two years ago, when we testified before this committee, we had only two breweries in the state who had just opened and another that was planning to open. Today, we have five craft breweries in North Dakota who are members of the Brewers Guild: Fargo Brewing Company and Drekker Brewing Company in Fargo, Souris River Brewing in Minot, Buffalo Commons Brewing Company in Mandan, and Laughing Sun Brewing Company here in Bismarck. Another brewery, Bird Dog Brewing in Mandan, opened just last month. At least two more breweries -- one in Grand Forks and another in Fargo -- will be opening in 2015. In a moment, you will hear testimony from two of our member breweries in support of SB 2325.

It is important to understand that each of these North Dakota craft breweries is a small business, created and operated by local individuals -- almost always friends and family -- with a passion for brewing handcrafted beer on a small scale and offering their creations for sale to the public. North Dakota breweries contribute significantly to the economic development of their respective communities and to the State of North Dakota. Each craft brewer in North Dakota pays a separate federal and separate state excise tax on each gallon of beer they produce. In addition to the excise tax, North Dakota breweries pay the state alcohol sales tax on sales in their brewpubs or taprooms. They pay infrastructure, flood control, hospitality, restaurant, lodging, and related taxes to their municipalities and counties. The barley they use to make their beer is often grown here, in North Dakota, by North Dakota farmers. Our craft brewers employ individuals from their communities as brewers, managers, chefs, and wait staff. And local breweries create a need for new North Dakota industry-related businesses that would not otherwise exist. We are often approached by local farmers who, now that there is local demand for brewing ingredients, are interested in growing hops and grains in order to supply their local craft brewers.

Our breweries have quickly become integral parts of their communities, often in downtown areas in need of revitalization. They donate and pour beer at charity events, hang work by local artists on their walls, hire local musicians to provide entertainment at their breweries, keep board games on their shelves and host trivia nights, open outdoor patios and beer gardens during the warm weather months, show movies and partner with local restaurants to host beer dinners in the winter. In short, North Dakota breweries enhance the quality of life in their neighborhoods and help make their communities a desirable place to live and work. I'd like to respectfully invite the members of this committee, and your colleagues in the legislature, to talk with civic leaders in your districts about breweries. Often, if they don't yet have a brewery, they want one in their community. And if they have one brewery, they'd like to have more.

The bill before you today, SB 2325, is the result of a compromise between the North Dakota Brewers Guild, the North Dakota Distributors Association, and the North Dakota Hospitality Association, all of whom are in agreement with the language of this bill. SB 2325 is a one-page bill that would result in one, very simple change in the law: SB 2325 would allow brewers to open more than one taproom in the state.

On behalf of the North Dakota Brewers Guild, I respectfully seek your support for SB 2325. In a minute we'll provide additional testimony from two North Dakota breweries. Jared Hardy from Fargo Brewing Company and Mike Frohlich from Laughing Sun Brewing Company will briefly discuss the importance of SB 2325 for their breweries. Before I have Jared and Mike come up, I'll be happy to do my best to answer any questions you may have.

Mar 10, 2015

1

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SB 2325 – Supported

Tuesday, March 10, 2015

House Industry, Business and Labor Committee

Todd Sattler, President, North Dakota Brewers Guild

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Two years ago, when we testified during the previous legislative session, North Dakota had only two breweries in the state who had just opened and another that was planning to open. Today, we have six craft breweries in North Dakota who are members of the Brewers Guild: Fargo Brewing Company and Drekker Brewing Company in Fargo, Souris River Brewing in Minot, Buffalo Commons Brewing Company and Bird Dog Brewing Company in Mandan, and Laughing Sun Brewing Company here in Bismarck. Another brewery, Kilstone Brewing in Fargo, plans to open later this month. At least two more breweries -- one in Grand Forks and another in Fargo -- will be opening later this year. In a moment, you will hear testimony from two of our member breweries and so I won't get into their backgrounds or why SB 2325 is so important to their business.

For now, it is important to understand that each of these North Dakota craft breweries is a small business, created and operated by local individuals -- almost always friends and family -- with a passion for brewing handcrafted beer on a small scale and offering their creations for sale to the public. North Dakota breweries contribute significantly to the economic development of their respective communities and to the State of North Dakota. Each craft brewer in North Dakota pays a separate federal and separate state excise tax on each gallon of beer they produce. In addition to the excise tax, North Dakota breweries pay the state alcohol sales tax on sales in their brewpubs or taprooms. They pay infrastructure, flood control, hospitality, restaurant, lodging, and related taxes to their municipalities and counties. The barley they use to make their beer is often grown here, in North Dakota, by North Dakota farmers. Our craft brewers employ individuals from their communities as brewers, managers, chefs, and wait staff. And local breweries create a need for new North Dakota industry-related businesses that would not otherwise exist. We are often approached by local farmers who, now that there is local demand for brewing ingredients, are interested in growing hops and grains in order to supply their local craft brewers.

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Testimony for Public Hearing
Industry, Business and Labor Committee
March 10, 2015

Aaron Hill
Fargo Brewing Company
610 University Dr N
Fargo, ND 58102

S.B. No. 2325

affirm Mr. Chairman and
Good ~~morning~~ Industry, Business and Labor Committee Members. My name is Aaron Hill and I am a co-founder of the Fargo Brewing Company. Fargo Brewing started in 2011 and we produce a variety of beer styles in Fargo and sell our products across the entire state of North Dakota, Minnesota and parts of South Dakota with a total production around 5,000 barrels. Over the past year the company has grown from 3 to 12 employees.

I am here today to express my support of bill 2325 allowing a brewery to hold multiple brewery taproom licenses. This change to the license is important to Fargo Brewing as ~~it~~ ^{we} makes plans for capital expenditures over the next year.

The passing of this bill would also allow Fargo Brewing Company to remain in its current location on 7th Avenue and University Drive and continue being a part of the neighborhood's revitalization.

Finally I'd like to extend an invitation to committee members to visit the Fargo Brewing Company to see a production brewery first hand and learn how we make a local beer.

Thank you for your time and consideration.

Aaron Hill
Fargo Brewing Company

Malting - NDSU
Paul Schwartz