REP. D'AGOSTINO (91ST): It is 10:02, 10:03. We've got a number of speakers on the agenda today so I'd like to get going quickly. The same thing I said last time, we've got a lot of speakers here. Some of them have not been with us before, but others, who are professional, have been before, and so I'd ask you guy in particular to keep your comments tight, as the committee is likely to have questions for you. So, it would probably be more efficient to get right into that when you come up and testify. I'm gonna just start off with some opening remarks from myself and the committee Chairs and Ranking Members. For myself, Mike D'Agostino, House Chair of the General Law Committee, I just wanted to note a couple of things.

I know some of you are here because you're concerned about the continued viability of the three-tier system and minimum pricing and etcetera, etcetera. I want to be very clear that the bills that we have before us today, we were very deliberate in trying to preserve the three-tier system and minimum bottle pricing. None of the bills before us today, nor do...
we intend to include in any language, any attempts to remove minimum bottle pricing. That system has been preserved by the court recently. It's up to the legislator whether it wants to touch that. And this committee is not touching minimum bottle pricing this year.

With respect to the three-tier system, we are not seeking to remove any layers from the three-tier system at all as well. I want to be clear on a couple of specific items that were bandied about via email. One is my fault. One of the things that we are not doing, we are not -- we do not have on our bill today is wine in supermarkets. That is not a proposal before us. It is not something we are considering. That is not in any way something that the committee is gonna be considering this year.

Further, there is a proposal in one of the bills to increase the ratio for permits for package stores from 1 in every 2,500 residents to 1 in every 5,000. I want to be very clear about that, that that is perspective only. In other words, it would only be for any new permitees. No current permitees would lose their permits if we change that law. Everyone would be grandfathered in that law. If it does pass, it would be -- it would not be retroactive at all. So, I wanted to be very clear on that as well and hopefully that helps us clear up some confusion about what the things are the committee will be discussing today.

You know, that said, a lot of our liquor laws are 20, 40, 80 years old and some of them have not been looked at in decades. And so, it's certainly within this committee's purview to discuss whether certain parts of the laws need to be modernized to reflect,
frankly and principally, the growing and fantastic craft industries that we have in Connecticut that didn't exist decades ago; craft beer, craft wine, craft liquor, and making sure that we're doing all we can with those industries and balancing their needs with the needs of the existing market participants, and not even just within the three-tier system, of course, but outside of that, our restaurants, etcetera. So, that's something that this committee is certainly interested in looking at and that's what's motivating a number of the proposals before you today.

And then, -- and additionally, one of the things that we're looking at as well, and I've mentioned this to the committee members, are within the three-tier system we've never really looked too much at the wholesale level, and so we do have a separate bill that looks at the wholesalers, again, not eliminating that tier, but looking to maybe update some of the language in the sections that deal with the wholesalers. I want to be candid about that as well.

For the committee members, I think most of them know I -- before the hearing, I did ask our wholesalers to provide information with respect to their territories. As we all know on the committee, but maybe most folks don't know, that distribution in Connecticut is divided up into territories. And when I've asked what those territories are, where can you sell this particular product or that particular product, I've never been able to get an answer. DCP doesn't know and it struck me as odd that we protect that system and yet don't have any real information about it. So, I did ask our wholesalers to provide some information. I sent a
letter to the Connecticut Beer Wholesalers and to the Wine and Spirit Wholesalers. I want to thank Mr. Cafero from the Wine and Spirit Wholesalers for providing some very useful information to the committee with respect to wholesaler territories, outlining what it is that our wine and liquor wholesalers do and where they distribute.

I also want to thank Hartford Distributors. They were the only beer distributor that responded to my request, and the committee members should have an excellent spreadsheet that Hartford Distributors gave us that lays out each product that they distribute and where they distribute it. This is terrific information and exactly what we were looking for.

I do want to just note publicly that I'm very disappointed in the Connecticut Beer Wholesaler Association and the rest of the beer wholesalers which did not respond at all to that request. And I just find it odd that they come here and ask us to protect the system and then do not give the committee any information about that system, again, with the exception of Hartford Distributors, and I want to thank Hartford Distributors for doing that.

So, with that, other comments from committee members before we get going? Senator Witkos.

SENATOR WITKOS (8TH): Thank you, Mr. Chairman. That was quite an introduction that we had so far. I just wanted to say there's some members of the committee that aren't here because they're testifying in other committees, but they are monitoring through various outlets in the building. There is a couple of omnibus bills out there that some folks in the audience have asked us to
consider, for changes to our liquor laws. If it doesn't -- if it's not a bill that specifically speaks to the issue that you want, that's okay, just come and testify what it is that you'd like the committee to consider.

And at the end of the day, while these are just bills that are here to be testified upon, things can come in, things can come out, things could pass, things could die. So, this is -- that's why it's so important to have the public hearing today. We appreciate everybody that's here in attendance in the room and those that were able to submit testimony online. If you do hear something in the public hearing today that you wish you had a chance to respond to, that somebody else might've said, please make sure that you send an email to the committee and we will make sure that the clerks give it to all the committee members for our consideration as we deliberate, going forward after the public hearing. So, with that, I guess I'm all set. Representative Cheeseman, do you have any comments?

REP. CHEESEMAN (37TH): Just that I welcome the opportunity to hear your concerns, what you like, what you don't like. I never suspected there would be such passion involved. This is my first term on General Law. But again, I am so pleased to see so many of you taking this opportunity to let us know how you feel about what we're thinking about doing and thank you for your time, and your patience, because I think you'll need it today. Thank you, Mr. Chair.

REP. D'AGOSTINO (91ST): Thank you, Representative Cheeseman. We'll get going then. The first
speaker, our Majority Leader, Matt Ritter, couldn't be here, but asked Representative Luxenberg to bring up some speakers in his stead. So, Representative Luxenberg.

REP. LUXENBERG (12TH): Thank you, Mr. Chairman and members of the committee. As you indicated, I'm here pinch-hitting for Majority Leader Ritter, who has two wonderful constituents here today that are here to testify in front of the General Law Committee. So, I want to call them up at this time. That's Tom and LeLaneia Dubay from the Hartford Flavor Company. Come on up.

MR. DUBAY: Thanks so much, Jeff. And thanks for everyone to including us. I did send, late yesterday, a copy of my testimony. So, you may have received it through email. I'm Tom Dubay, co-founder of Hartford Flavor Company and the Connecticut Spirits Trail president. And I'm here to provide insights in to what the distillers in Connecticut are looking for in terms of modernizing laws to let our industry flourish.

In a word, we're looking for parity. Right now, there are about a dozen active distilleries in Connecticut, and we have a map. We are loosely affiliated in terms of creating a spirits trail, much like the beer trail and other wine trails and so forth around the country and within Connecticut. Unfortunately, the current legal environment is such that a few have gone off line and several others are having some difficulty thriving or even surviving.

Our most important item in this session is that we seek to be able to sell a drink by the glass, i.e. a cocktail, and to be able to operate with a distillery pub license like the brewery pub license.
This would provide equity or parity with the Connecticut brewery and winery laws and also with other neighboring and distant states. We find it somewhat ironic and frustrating that we as distillers are the only liquor-related, permitted, on-premise entities that cannot sell or own products in a glass. One can go to a bar, a restaurant, and I've even now a bookstore and other permitted venues and buy a drink, theoretically, of our product, but we are the only permitted place where you cannot. Not only is that very ironic and frustrating, but is effectively tying one hand behind our backs. Us not being able to sell a cocktail in our distilleries is like forcing a restaurant to only be able to do takeout.

I would like to take a moment to describe why the ability to sell a drink is so important to us within the distillery industry. Craft distilleries, especially ones in small-population states like Connecticut, must look to create distribution in states beyond their home state because, as compared to beer and wine, the amount of spirits consumed is less than that of those two segments of the industry. Getting distribution going in other states is expensive from a marketing and sales perspective, and so the ability to become profitable in one's home state makes it a bit more attainable in terms of being able to invest in those marketing and sales efforts to get profitability.

There are other aspects that we would like to be -- see become effective including the excise tax reduction that the governor has proposed for beer and wine. We want it to apply to us as well. And that's consistent with what occurred at the federal level within the Craft Beverage Modernization and
Tax Reform Act, which lowered the federal excise tax.

Also, we are in support of the proposal to increase the limits of bottle sales within our tasting rooms, which is also proposed in a current bill. Our economic impact is good, getting larger, and it would be terrible if we could not continue to grow it. Those economic impacts include tourism, product supply chain purchases such as Connecticut-grown agricultural products, bottles, labels, supplies, equipment, furniture, printed marketing materials, and on and on. We have the support of many aspects of our communities, the Connecticut Package Store Association, our restaurant partners, mayors across the state including those of Hartford, Bridgeport and others, numerous state representatives including the House Majority Leader and members of the General Law Committee, and perhaps most importantly, the public.

Just in the past week we have several thousand signed petitions showing support from folks looking to see our issues advance. And to Representative Cheeseman's point, I think there is incredible passion in the state, and not within just the industry, obviously, in the three-tiered system there is great passion, but with consumers, your constituents, your voters. Everybody is really focused on this because it creates a great quality of life addition to the state. Young people, old people from all walks of life are coming into our tasting rooms, our tap rooms, etcetera, and having a great time. So, it's not a surprise to us that there is incredible passion for this industry across the major segments.
REP. D'AGOSTINO (91ST): Tom, I don't want to cut you off. It's just that we -- it is a courtesy to allow people to come up from the public with legislators and we usually limit to three minutes for members of the public. So, let me just ask you a question then. I think you're in a little bit of a different circumstance that I want to be sure we're aware of that we can potentially address, which is you manufacture --

MR. DUBAY: Spirits.

REP. D'AGOSTINO (91ST): Spirits, but also, like, liqueurs?

MR. DUBAY: Beer liqueurs. Specifically, Hartford Flavor Company now produces Wild Moon Liqueurs. So, they're in the spirits category, somewhat of a niche product.

REP. D'AGOSTINO (91ST): And so, for sales on site, I know one of the things -- I think we did this last year where we allowed the distillers -- or did that not get through? We talked about allowing the distillers to sell -- you can give two ounces of your product. And one of the things we're considering is you could -- if you make a vodka, you could do a vodka and soda. For you, though, do you need to mix your particular flavor of liqueur with another liquor?

MR. DUBAY: It can be, but it doesn't have to be.

REP. D'AGOSTINO (91ST): All right.

MR. DUBAY: So, it's quite versatile as a product into itself. And as the president of the Trail, I'm speaking for all of the categories, subcategories, not just spirits of course.
REP. D'AGOSTINO (91ST): Yeah. Certainly, I think it makes sense to allow the liquor to be, you know, mixed with a seltzer for a sample, rather than just having people do shots of vodka. I just wanted to make sure that if there was -- if there needed to be a sort of a niche for your niche product that we thought about that. But I hear what you're saying. More generally, that proposal would be fine with the distilleries in Connecticut, the idea of the liquor with a seltzer or whatnot, a gin and tonic, for example.

MR. DUBAY: Sure.

REP. D'AGOSTINO (91ST): Okay.

MR. DUBAY: Today, the customer's experience is that we are able to provide a sample of two ounces of our product. It can be sampled straight, on its own, and/or in a drink so that you can showoff how the product can be used and enjoyed at home. So, what we're really, in essence, having to do is sell a tour or give the tour away and then provide those two ounces as I stated. So, we're really having to give our product away. And from a customer or visitor standpoint, it's a strange situation because they're able to go enjoy, you know, certainly with reasonable limits, a product at a brewery or a vineyard, but when they come to us we can really only provide them that such small amount.

There's a customer expectation that they can come or want to come for perhaps several hours. Enjoy food as well and have a real experience. And right now, it's somewhat of a hollow experience because we have to tell them that we are facing these limits, and focus generally have a 30-minute, maybe a 45-minute stay, and then they go. So, there's kind of an
opportunity lost in several different ways, from the consumer, visitor standpoint, from our business standpoint, and from the industry's standpoint overall.

REP. D'AGOSTINO (91ST): Representative Rutigliano.

REP. RUTIGLIANO (123RD): Thank you, Mr. Chairman. Good after -- good morning, sir, how are you today? I have a question. So, we have a three-tier system in the State of Connecticut. Are you familiar with the three-tier system and why it's in place and what's going on?

MR. DUBAY: Absolutely. We love the three-tiered system partners we have. Absolutely.

REP. RUTIGLIANO (123RD): Well, you like the three-tier system, but you want to participate in all three tiers of the system. So, we have rules that a manufacturer isn't supposed to sell directly. We have rules that they -- you guys get to self-distribute, you get to sell at retail, and now you want to have a tap room. So, I'm confused. If we support the three-tier system, why is that your business is unique enough where you get to participate in all three tiers, where other people don't?

MR. DUBAY: Well, like I said, the spirits segment of the industry is somewhat challenged to the extent that most people don't consume as much by volume as they do with beer or wine. So, for us to be able to make it in the three-tiered system, it's more difficult. And then for the fact that, especially in a small state like us, our market is fairly limited, so you have to look to get into other markets, other states, to become viable as a
business. And so, really, back to my first point, we're looking for parity. So for us to be able to operate like a brewery pub, where you can sell by the glass or the pint, if you will, just to have that sort of equality.

REP. RUTIGLIANO (123RD): Right. You want parity with a brewery, but you're really looking for parity with restaurants. I mean, you can -- is there anything stopping you from going out and getting a bar license or restaurant license?

MR. DUBAY: No, we're in hundreds and hundreds of restaurants as well. So, we're just trying to open up other avenues.

REP. RUTIGLIANO (123RD): Just what I'm saying is if you want to act like a restaurant or a bar, why don't you just go be a restaurant or a bar?

MR. DUBAY: Well, at this point, the permittee of the distillery cannot hold, to our understanding, a restaurant license.

REP. RUTIGLIANO (123RD): Right. And that was done for a reason. That was for the reason so that Absolut or Budweiser or some other big, gigantic company doesn't own every restaurant or bar throughout Connecticut --

MR. DUBAY: Sure. And we're not them.

REP. RUTIGLIANO (123RD): But those -- this is why these laws exist, though.

MR. DUBAY: Sure.

REP. RUTIGLIANO (123RD): These laws exist so that that situation doesn't happen.
MR. DUBAY: Totally understood and that's why we want to be part of the modernization of the laws. Are there other issues that you're trying to solve that I could try to expound on?

REP. RUTIGLIANO (123RD): No. I'm just -- I'm not unsupportive of your industry or what you're trying to do. I'm just trying to balance that out with the three-tier system and how we protect what we have.

MR. DUBAY: Sure.

REP. RUTIGLIANO (123RD): We've been having it for a long time. And we have it for a reason. We have it to collect taxes. We have it to -- it's a deal the state made with the federal government after prohibition was repealed. I know that's a million years ago, but that's the system we have. Other states do different things, where the state is the only one that owns the package stores and control all the means of distribution.

MR. DUBAY: Sure.

REP. RUTIGLIANO (123RD): We chose this system. So, it seems to have worked for quite some time. So, I think there is a challenge to balance out your emerging business with the rules that everybody else has to abide by.

MR. DUBAY: Yeah, absolutely.

REP. RUTIGLIANO (123RD): Because remember, everybody else has to abide by certain rules that some people don't have to, so it frustrates certain people. So, if you want parity -- listen, I can sit up here and say, well, restaurants don't feel like they're on parity with the brewers or your business. And the package stores, because you sell direct to
retail, don't feel like parity because they can't have a tap room either. And the beer wholesalers don't feel parity because you get to self-distribute. So, everybody has an issue with parity.

MR. DUBAY: Sure. Well --

REP. RUTIGLIANO (123RD): That's all we hear about, is parity all the time.

MR. DUBAY: Sure.

REP. RUTIGLIANO (123RD): I mean, I don't mean to filibuster. I'm supportive. I understand what you're trying to go through. I think it's great that we have all these new businesses. But I also think that everybody should be on a level playing field and that we all should be playing by the same rules.

MR. DUBAY: Absolutely. That's what we're asking. Yeah.

REP. RUTIGLIANO (123RD): That's all we hear about, is parity all the time.

MR. DUBAY: Sure.

REP. RUTIGLIANO (123RD): I mean, I don't mean to filibuster. I'm supportive. I understand what you're trying to go through. I think it's great that we have all these new businesses. But I also think that everybody should be on a level playing field and that we all should be playing by the same rules.

MR. DUBAY: Absolutely. That's what we're asking. Yeah.
REP. RUTIGLIANO (123RD): Well then open a restaurant. I mean, I'm not being snide with you. I mean, you know, you have the ability to go into that business if you so choose. So, I was here when we passed the tasting rules and other distillers came up. I remember who they were. They said, listen, we're having a hard time selling our product. People want to sip it on their way out the door. We give the tour, they want to sip it out on the -- it's taken less than five years where, well, now I want to have a bar and I want to have mixers. Sipping it is not enough for me to sell retail. I really wanna operate a tap room and a -- or a bar out of my restaurant. So, the slow progression, or the deterioration of the three-tier system, is what, me, personally, would be most concerned about.

MR. DUBAY: Absolutely. We all --

REP. RUTIGLIANO (123RD): But I wouldn't want to sip your liquor without a mixer either. That part of it I understand. It's the operating of a bar; when you get to operate a bar where other people other people don't have that same ability, is where I have issues.

MR. DUBAY: Right. Then are you saying we should retract the breweries and pub license too?

REP. RUTIGLIANO (123RD): I'm saying that it's -- I'm saying that I think all this stuff should be open for discussion, is what I'm saying.

MR. DUBAY: Absolutely.

REP. RUTIGLIANO (123RD): I'm not saying we retract anything. I'm saying why keep deteriorating the three-tier system if we don't need to.
MR. DUBAY: And I'm not -- I'm not saying we can coexist. We thrive only through the three-tiered system. It's the little cherry on top that lets us grow even further, if we can provide a better experience for consumers and generate a little additional revenue in our tasting rooms. We will never -- we'll be a rounding error in anyone's budget, in anyone's revenue streams. Just the very nature of spirits, it's unlike beer and wine. It's unlike restaurants. It's not gonna be a threat, I don't think, to anyone in the three-tiered system.

When we talked to our colleagues within the Connecticut Package Store Association, they're highly behind this, and likewise, us for them, because we have to be able to work with them. Ninety percent of our volume goes to the stores. The other percentage of it is through our restaurant partners. We're on hundreds of restaurant menus. It's great for both of us. They can provide a locally crafted product. We get a little visibility on the menu. We have cocktail-dinner pairing nights at restaurant on a Monday, a Tuesday, a Wednesday night when it's very quiet and we're drawing in 30, 40, 50 people that they otherwise wouldn't have brought into the restaurant. So, we can partner and nothing is at stake. I think what it is is there's opportunity for all of us. We may never become the Kentucky Bourbon Trail, but why can't we be a little bit like it?

REP. RUTIGLIANO (123RD): so, I appreciate your answer. I'm gonna turn it over to others members of the committee. And I don't necessarily disagree with you. I don't think that you'll show up as a blip. It's when there's 50, 60, 70 of you that gets to operate in a different environment, different
rules than other folks, meaning restaurants, quite frankly, package stores and distributors. With that, Mr. Chairman, thank for the time. Thank you, sir.

REP. D'AGOSTINO (91ST): Thank you, Representative. And just before I turn it over, just one clarifying question. You're not asking to sell other liquors that you don't manufacture. You want to just be able to sell what you manufacture.

MR. DUBAY: No, it would be both. So, that --

REP. D'AGOSTINO (91ST): Would you be opposed to restricting you to just --

MR. DUBAY: That would be highly restrictive and I think something the Trail just really, you know, can't get their brain around.

REP. D'AGOSTINO (91ST): Well, let me clear what I'm saying. So, you manufacture Connecticut Gin, so you can serve that gin. I mean, I'm trying to balance the interest between what Representative Rutigliano just articulated. And so, instead of a full bar, you can serve your drink with mixers, etcetera, but only what you manufacture. I think I'd encourage the distilleries to think about that as a reasonable compromise.

MR. DUBAY: Well, I think maybe the compromise could be that, and New York has done this, you limit what can be served in our tasting rooms to Connecticut-made products. That way I can mix with a Litchfield Bourbon. I can mix with a Waypoint Gin and so on and so forth, so.

REP. D'AGOSTINO (91ST): Fair enough. Senator Witkos.
SENATOR WITKOS (8TH): Any concerns or suggestions if we were to increase what you are allowed to sell for off-premise consumption in the statute?

MR. DUBAY: No. I mean, I think we're in favor of that, what's proposed as a doubling of a very small number. It's still probably not ultimately what every consumer walking through our door wishes. But, you know, the doubling is definitely moving in the right direction and we're fine with that, absolutely.

SENATOR WITKOS (8TH): Thank you. And I know there's been some conversations about the amount that is allowed to be given for tastings. I'd like you to comment on that, please.

MR. DUBAY: Sorry, for the amount --

SENATOR WITKOS (8TH): I think about one and a half ounces that would be --

MR. DUBAY: It's two ounces.

SENATOR WITKOS (8TH): Two ounces. I'd like you just to comment on that.

MR. DUBAY: Yeah, that's generally fine. Typically, any of us have anywhere from three to perhaps seven or, you know, slightly more SKUs. So, when we give a tasting of a product on its own, it's literally, you know, and eighth of an ounce. So, if you do the math, we're okay with staying within that two-ounce limitation because we can flexibly provide the experience, the taste experience, for the customer.

SENATOR WITKOS (8TH): Thank you. Thank you, Mr. Chairman. That's all the questions I have.
REP. D'AGOSTINO (91ST): Other questions from committee members? Thank you very much, Mr. Dubay.

MR. DUBAY: Thank you so much.

REP. D'AGOSTINO (91ST): Representative Borer.

REP. BORER (115TH): Hello, and thank you, Chairman D'Agostino, Ranking Members Senator Witkos and Representative Cheeseman, and all the members of the General Law Committee. I'm actually gonna relinquish my time to a constituent of mine who is owner/operator of Armada Brewing, John Krazewski.

MR. KRAZEWSKI: Thank you. Esteemed members of the General Law Committee, my name is John Krazewski and I'm the captain and founder of Armada Brewing in East Haven, Connecticut. I want to thank you for your time today to let us show our support for House Bill 7184 and 7183.

I'm a huge advocate for the growth of our Connecticut breweries and believe that these two proposed bills address many of the issues that need to be fixed with our current liquor laws. The first part I would like to show my full support of is the complete removal of the limits for beer to go from breweries for off-premise consumption. Thirty-seven states including the District of Columbia have no limits on direct to consumer sales, while Connecticut ranks 47th, with a limit of nine liters per person per day. This equates to less than a case of 16-ounce cans, which I provided a prop for you here.

When the limit was raised from eight liters to nine liters in 2012, no one here could have foreseen the growth of this industry over the next five years.
Connecticut went from 16 breweries to now being home to over 80. Nationwide, we went from 2,400 breweries to over 6,300. That's a growth of 157% in five years, largely due in part to the fact that many of our nation's capitols -- nation's states have craft beer friendly laws and are not restricting the growth of this booming industry. While here in Connecticut, we haven't changed our beer laws to accommodate for any growing competition. In 2017 alone, our nation's small and independent craft breweries have contributed an economic impact of $76.2 billions dollars, and in Connecticut, our small and independent craft breweries have contributed an economic impact of $745 million dollars and have created to date over 4,600 jobs.

The premise of no limits does not mean we will sell all of our beer to one customer. It's about the freedom to have control over our own products. As seen in the 37 states with no limits on direct to consumer sales for beer to go, breweries can handle the allocation of their own products. Now, I know you'll hear today that craft breweries are violating the three-tier system. Let's set the record straight. The three-tier system was enacted post-prohibition and designed to protect retailers from abusive and unfair sales practices of the big beer companies, who prior to prohibition, were shutting out small and independent breweries from access to these retailers.

While you may think the three-tier system is good regulation or deregulation for consumers and competitors, some wholesalers and big beer stand to gain financially from the continuation of these laws staying in place, because the big breweries have made significant financial investments to some
wholesalers and are incentivized to sell big beer over craft. Big beer numbers are dropping drastically due to the influx of consumer demand for locally produced fresh craft beer. We are slowly chipping away at their market share and they are not happy. They will do anything in their power to kill us off. Whether it's restricting the breweries on how much beer they can sell direct to consumers, acquiring breweries such as Goose Island, Ballast Point or Wicked Weed, or using their wholesaler partners to lobby against us and inhibit our growth, or completely shutting us out. Because they can do it.

Section 30-17 2b of the Connecticut Liquor Control Act states - no such termination or diminishment shall become effective except for just and sufficient cause, provided such cause shall be set forth in such and the Department of Consumer Protection shall determine after hearing that just and sufficient cause exists. To sum this one up, once a brewery agrees or any manufacturer here, out of state shipper, agrees to work with a wholesaler, they're basically locked into that relationship for life, whether or not the wholesaler wants to sell their beer.

If the brewery wants to get out of that relationship, it's up to someone else to determine that. It's worse than trying to get a divorce and you bet you're gonna to have to pay some serious money to get those distribution rights back. I know it sounds like a fallacy, but who's the one in your ears talking down on our industry? The same people who want to control and get a cut of everything we sell, and if they can't get a cut, they will make sure the laws inhibit us and eventually force us to
have to work with them. It doesn't take a lot to put these pieces together. A little research about the history of big beer and their tactics to have control over the entire industry will sum up why we're here today fighting to remove a restriction that no other industry in the state has to deal with.

We're not telling pizza shops you can only sell one pizza per person a day. We're not telling farmers you can only sell nine eggs direct to consumer. These limiting laws only stand because the wholesalers want everything to go through them. What if I were to tell you that we had a law in place that prevented Apple from selling you an iPhone directly? We'd be upset about that, especially after you dropped your phone and cracked the screen.

I just want to say, I do not hate these wholesalers. I admire them. These hard working men and women supply Connecticut residents with their favorite beers, wines, liquors, ciders, every day. They have taken in many Connecticut craft brands and helped them grow. They provide thousands of jobs for our residents and I applaud them for that and I thank them for helping build this industry. But I do not believe we can leave the fate of our breweries in anyone's hands except the breweries themselves.

REP. D'AGOSTINO (91ST): That's probably a good place for me to just give you a little bit of a [inaudible - 00:31:48]. Let me just ask you a question.

MR. KRAZEWSKI: Yeah.
REP. D'AGOSTINO (91ST): And again, for those who are coming up with legislators, I'd ask you to try to keep everything with three minutes. We've got the written testimony and all members of the committee will receive the written testimony. And I'm not trying to be rude. I'm just trying to keep things going. We've got a pretty full meeting here. I want to note that, by the way, our overflow room is 1D, where we do have seating and audio and video if people want to sit in 1D. Let me ask you just, John, just a similar theme in what I asked Tom previously with respect to the distillers. If you're not looking to operate a full bar in your - in other words, selling -- are you looking to sell, you know, your product and Budweiser and other beers as well in your tap room?

MR. KRAZEWSKI: No.

REP. D'AGOSTINO (91ST): You're gonna sell your beer.

MR. KRAZEWSKI: The breweries opened their breweries to focus on their products. That's the premise of why we started these.

REP. D'AGOSTINO (91ST): And if you had unlimited sales to consumers who come in, instead of the nine liters, you could sell two cases, three cases, etcetera. Would you still a wholesale network, distribution network?

MR. KRAZEWSKI: Absolutely. We build our foundation on working -- self-distributing, and also working with wholesalers. Like, we're not just gonna cut everything out of the market for this fact. It doesn't do any -- it doesn't make any sense,
logically, to just stop putting product on the shelf.

REP. D'AGOSTINO (91ST): And has the experience been in other states where they allow the unlimited sales that it helps to build the brand recognition, and therefore the brewery that needs wholesale distribution more availability and package stores more availability in restaurants?

MR. KRAZEWSKI: Absolutely, especially for someone starting off really small in a three-barrel system, which equates to 90 gallons. That's not much beer at all. And if they can't sell that all in-house, they're kind of struggling to make ends meet and so eventually they'll grow from there. As you can see, there's a lot of breweries that have started small and grown over time, to the fact where they are now distributing.

REP. D'AGOSTINO (91ST): I'm sure Representative Rutigliano probably has some tougher questions for you.

MR. KRAZEWSKI: Let's hear'em.

REP. RUTIGLIANO (123RD): Thank you, Mr. Chairman. And I don't. Listen, I am not unsupportive. I just - parity, right, we keep talking about parity. I tend to disagree with you analysis of the three-tier system. The three-tier system was put in place, from my understanding, to protect retailers. But the federal government made a deal with the state, we're gonna repeal prohibition. You have to make a deal that does not promote intemperance, right. And every state got to choose how they do it. This is how we chose to do ours. So, that's my perspective on why the three-tier system is in there. My
question to you is, is of these states that you noticed that have no limit on the amount of beer you can sell at retail, how many of them allow tap rooms?

MR. KRAZEWSKI: A large majority of them. I would say almost all of them.

REP. RUTIGLIANO (123RD): Well, because I think --

MR. KRAZEWSKI: I think Texas is the only one that did not have -- until recently, they didn't allow people to actually buy beer over the counter.

REP. RUTIGLIANO (123RD): Right. But Rhode Island allows it, but they limit the amount you can sell per day in a tap room.

MR. KRAZEWSKI: I'm not too familiar with that, but I know they have a limit on how much you can buy to go as well. But the thing is, we're not selling, like, -- we're not over serving customers just because of the fact that we can sell. You know, a customer comes in and has a pint, two, and they leave and they want to grab a couple of beers. But like if you're coming all the way from Vermont and you're making this three-hour journey down here to have Connecticut beer and you're walking out with four four-packs? Now you have to allocate a can to each, you know, each friend, family member. It's insane.

REP. RUTIGLIANO (123RD): No, I completely understand. I'm totally sympathetic with your amount to sell at retail. I just was trying to represent the characterization that every other state is sort of freewheeling. It's not. New York, in order to sell -- have a tap room, you have to
have food. You have to have a different license. It's not just a brewery that gets to have a tap room. We're now in -- our two closest neighbors limits the amount you can sell per day. So, even though I am probably supportive of it, I don't get why you can't sell a case. I get it totally.

MR. KRAZEWSKI: Yeah.

REP. RUTIGLIANO (123RD): I just didn't think the characterization that it's the wild, wild west in every other state is necessarily true.

MR. KRAZEWSKI: So, I'd like to -- you know, pardon me for correcting you on this. But New York does allow tap rooms without food. And others half --

REP. RUTIGLIANO (123RD): I literally was looking up the statute as we were talking, but we could talk about that another time --

MR. KRAZEWSKI: Yeah, yeah, okay.

REP. RUTIGLIANO (123RD): That's all I had, Mr. Chairman. Thank you. Senator Leone, real quick. Senator.

SENATOR LEONE (27TH): Thank you, Mr. Chairman, and good after -- good morning. Thanks for the testimony and I apologize for coming in a little bit late. But as we get into this, some of these items will be flushed back and forth. But one of my questions is -- you brought the limit there, the visual, which is very helpful. In terms of your volume, how fast have you ramped up to the point where that particular, almost a case, is not enough for your customers? How many people are coming in asking for the maximum or being turned away because they can't order more?
MR. KRAZEWSKI: I would say we're at a point right now where every customer that -- I can't say every customer. A good majority of our customers that come in buy four four-packs of beer to go, and they want more.

SENATOR LEONE (27TH): Right. But how many is that per day?

MR. KRAZEWSKI: How many customers?

SENATOR LEONE (27TH): Yeah.

MR. KRAZEWSKI: It depends on the weather. I mean, on a busy weekend, we could sell 100 four-packs in a weekend.

SENATOR LEONE (27TH): So, you know, the concept of unlimited is something that's probably always -- we're always cautious on just opening up the floodgate, so. And at some point, if it was unlimited and then you start to max out, your customer base wants you or your customer wants to expand, it doesn't seem too far fetched that then your industry would be coming in here asking to sell other beers, other products. So, --

MR. KRAZEWSKI: I don't think that would be the case. The -- you know, breweries make --

SENATOR LEONE (27TH): Well, we've been in this building a long time.

MR. KRAZEWSKI: Sorry.

SENATOR LEONE (27TH): And we open up one avenue and it's not too much longer before they're asking for more of an expansion. So, I appreciate the fact that you're saying you wouldn't do it, but historical context here has shown otherwise. So,
that's why we're just sensitive to making sure that we do this in the appropriate way.

MR. KRAZEWSKI: So, in response to that statement there. You know, breweries are not sitting here and now selling other people's beer to go off in their tap room. I don't think I've ever seen an example of that in the entire United States. Thirty-seven states have no limits on direct to consumer. That doesn't mean we're, you know, we're gonna sell all of our beer to one customer either. It's the fact that when people in they want to buy multiple cases of beer for friends, family, we have the ability to do it. It's about the freedom to have control over our own product.

REP. D'AGOSTINO (91ST): Representative Cheeseman.

REP. CHEESEMAN (37TH): Thank you. And Senator Leone asked some of the questions I had in mind. How old is your brewery?

MR. KRAZEWSKI: Two years old.

REP. CHEESEMAN (37TH): And in that time, how has your production -- give me the trajectory on your production, please.

MR. KRAZEWSKI: We made 775 barrels last year.

REP. CHEESEMAN (37TH): And how many customers?

MR. KRAZEWSKI: Distribution or customers that walked through the door?

REP. CHEESEMAN (37TH): Customers who walked through the door.

MR. KRAZEWSKI: I don't have the numbers on hand right now.
REP. CHEESEMAN (37TH): Okay. Distribution?

MR. KRAZEWSKI: Over 500 accounts and plus we have wholesalers in Southeastern Massachusetts, Rhode Island and the eastern part of Connecticut.

REP. CHEESEMAN (37TH): So, what percentage of your sales would come from this ability to sell on an unlimited basis to reach all customers?

MR. KRAZEWSKI: Ninety-five percent of our product right now goes out to distribution. So, we're just -- we'd basically be chipping away at that 95, and actually just increasing production.

REP. CHEESEMAN (37TH): So, we're not looking at a huge quantity that you would be selling on-premises by removing this limit. I mean, still the bulk of your sales would go through distribution.

MR. KRAZEWSKI: Absolutely.

REP. CHEESEMAN (37TH): All right, thank you. Thank you, Mr. Chair.

REP. D'AGOSTINO (91ST): Other questions from committee members? Senator.

SENATOR LEONE (27TH): I apologize, Mr. Chairman, for the second time. Another question. How many employees do you currently employ?

MR. KRAZEWSKI: Five.

SENATOR LEONE (27TH): And so, as we hope to help your market expand, how many employees do you foresee if you did have an unlimited amount? At some point you're gonna max out your current footprint. I would think you'll want to expand in the community, hire more people. So, how many sales
do you have to have in order to start hiring more personnel?

MR. KRAZEWSKI: I would think when we get to the 2,000-barrel marker. I'd probably say around 1,500 barrels of beer in a year, which we're about, you know, halfway there right now. We'd be taking in a new employee at least every quarter. But with no limits, you know, we're gonna be increasing production and moving through product more often, getting that cash flow quick, you know, more quicker, and that way we have more cash flow to pay other employees.

SENATOR LEONE (27TH): And what kind of skills are required for you to hire personnel into the -- into your --

MR. KRAZEWSKI: Armada personally?

SENATOR LEONE (27TH): Yeah.

MR. KRAZEWSKI: They need to be funny. They need to be involved with video marketing. No beer. That's -- you know, we don't discriminate. If somebody -- we have a lot of employees -- Tim here today, somewhere over here, never brewed a beer in his life. Came in one day, he just wanted to -- he wanted to work in the brewery.

SENATOR LEONE (27TH): And are you hiring from within the community, to be reflective of the diversity in your towns?

MR. KRAZEWSKI: In our town? We only have five employees and they all came in as people who were customers or someone who saw an interest in us and came in. We don't have people banging on the door for jobs. But anybody who comes through the door
we're more than willing - you know, if they have the knowledge base and have a passion for craft beer, we take them in.

SENATOR LEONE (27TH): Thank you. Thank you, Mr. Chairman.


SENATOR COHEN (12TH): Thank you. I'm just going to take a few moments to explain why I'm here and then yield the floor to a constituent and friend, Alex DeFrancesco. I, in the beginning of the session, submitted a bill proposal, Senate Bill 539, AN ACT CONCERNING THE SALE OF CIDER AND FOOD BY HOLDERS OF A MANUFACTURER PERMIT FOR CIDER, and was really pleased to see the inclusion of much of that language in House Bill 7184. So, I'm speaking today in favor of that portion of 7184 that would allow constituents such as Bishop's Orchards, who I believe you have testimony from, so I would just refer you to that. They're a farm winery in district and also operate as a cidery. And I won't go through -- I believe you have a copy of my testimony as well, so I won't read everything verbatim.

But I just wanted to point out that currently, as a cider manufacturer of hard cider; they are unable to sell cider by the glass. And so, they are seeking the ability to be able to sell cider by the glass. So, really about shifting with changing market demands, I think we sort of have an antiquated law on the books that maybe didn't have the foresight to know that hard cider would become such a popular item. I know I enjoy hard cider, so I would love to
be able to go to this local establishment and partake in a glass of their product. So, just basically shifting with changing market demands, allowing commerce to take place in Connecticut. I think it is a big win for the small businesses and would be a win for Connecticut as well.

I do want to point out that in section two, with respect to special event catering, I appreciate the bill's attempt to rectify another roadblock for these holders of manufacturing permits who cannot also hold a catering permit for liquor or food. They can cater with their own food on-site, but off-site, they -- say I wanted to have a wedding locally downtown on the Guilford Green, I would be unable to request the service of Bishop's Orchards to come in and cater my wedding with their products, both their wine, their cider, and their food, despite Bishop's Orchards having a full-service kitchen. So, I would just ask respectfully if you could look into that section of House Bill 7184 and see if you could expand things further.

Yet another issue in a similar vein which was touched upon slightly this morning is the inability of these farm wineries and cideries to operate a restaurant with a liquor permit. So, again, because they must hold this manufacturer's permit, they are precluded from also holding a restaurant or catering permit. So, at a time when we would all like to see our state growing and businesses thriving, I think we are limiting the ability of some of these businesses to prosper. And with that, I'll yield the rest of my time to Alex DeFrancesco here, who owns DeFrancesco Farm in Northford, and he'll speak a little bit more about farm breweries.
REP. D'AGOSTINO (91ST): Before we just get to that. Just real quick on what you just said there. I just want to make sure it's clear for the record. So, you're not asking for -- I think it makes sense to me that you're proposing that to the extent you can get -- there is a separate permit for a restaurant or bar or we create a separate permit for off-site catering, that the holder of the manufacturer permit be able to apply for, and be reviewed, and get that separate permit.

SENATOR COHEN (12TH): Right. They would like that ability.

REP. D'AGOSTINO (91ST): Thank you.

SENATOR COHEN (12TH): Yeah.

REP. D'AGOSTINO (91ST): Alex.

MR. DEFRANCESCO: Thank you, Mr. Chair. As the Senator mentioned I'm here to talk on the beer aspects. I manage my family's farm with my brothers, DeFrancesco Farms. I'm, though, an owner of Stewards of the Land Brewery, a new farm brewery that's under construction right now, and thanks to the legislation here a few years back, we were able to have that farm brewery bill passed and have breweries on farms. And I'm here to talk on 7184, an aspect of the limits on what breweries could sell directly to consumers, and also part of that in having farm wineries, cideries, breweries and meaderies be able to serve other Connecticut-produced products from Connecticut ingredients, which I'm sure there's gonna be questions on that after. But let's hit the no limit first.
In my testimony that I gave you guys via email. Being a farmer my entire life and working with the breweries in the State of Connecticut when there was only a handful in existence, and then as this booming craft industry came about, and looking how the industry has changed, and now owning a brewery myself, that having a limit on a product that I make, from a farmer's standpoint, would be like if the state said I could only sell two-thirds of a sack of corn. If you came to me and you wanted a sack of corn for a barbecue or picnic, and I told you; I'm sorry, I'd love to, but the state says that you can only have two-thirds of a sack of corn. You'd probably look at me with two heads, that I have two heads on my shoulders.

And I look at this. This is a product that I raise on the farm for me. I then take my products or other products in Connecticut and make it into the craft beer products. And I compare the craft beer guys in our state to farmers. Because the time, the effort, the diligence that goes into this is just as hard as cultivating and tilling the land. And then when I go and mind my tap room, if people want to get growlers, cans or bottles to go, and telling them, sorry, there's a limit. Even though you support me and you want to help out, I can't. So, I encourage you guys to, if not increase the limit, to take the limit away and match up with the 37 other states in our country that have no limit. I know there's certain - people might have other aspects to that, but having that ability to allow our breweries to be competitive and support local communities, I think is an amazing opportunity, so.

Going on to other aspects of the bill 7184, on farm cideries, wineries, breweries and meaderies, to be
able to serve other farm-produced products of those four that I mentioned. So, no spirits included. I believe that is a win-win for the Connecticut beer, wine trail, agritourism, and our farmers in the state. You are directly supporting farmers in the state because those entities need to use Connecticut ingredients to a certain percentage to make their products. It increases jobs in the state from the farming aspects to the [inaudible] aspects, to the manufacturing and then the serving.

Having an opportunity to have like one or two opportunities at those particular breweries, vineyards, cideries, meaderies, allows that you go with friends, family or your significant other and one of you might enjoy wine more or beer more, you have the opportunity where you're gonna stay longer, you're gonna enjoy the facilities, and possibly purchase more to go or recommend and be, like, oh, yeah, you might not like beer or wine, but they have that option there. But it's Connecticut products. So, I encourage you to support that as well. I'm sure there's gonna be a question on that.

REP. D'AGOSTINO (91ST): I don't have any, but Representatives from the committee. Representative Candelora.

REP. CANDELORA (86TH): Thank you, Alex, for coming today to testify and I just want to take the opportunity, obviously, as your State Rep, to congratulate you on the work that you've done in that brewery. You know, it's being put in an area of town that does not have a lot of economic development opportunities, but I think it's in great fitting with the farm community that's there and I think the whole community is obviously excited about
it and it has gotten great support. I think we're heard the bill on expanding the beer portion and being able to sell more, and the case issue. And I know that's something we're probably gonna address today. I'm not sure we've seen the issue of allowing sort of the cross-selling of other wineries and breweries, and I think that's something we'll have to really work through.

Currently on the books, do you know offhand, are you allowed to sell wine at your beer brewery without this legislation?

MR. DEFRANCESCO: Without this legislation? No. For the farm breweries, no.

REP. CANDELORA (86TH): The farm breweries are just limited to manufacture their own beer.

MR. DEFRANCESCO: Manufacturing of what they produce, yes.

REP. CANDELORA (86TH): Right. Okay.

SENATOR COHEN (12TH): I just want to -- can I say something on that as well? Because a lot of these breweries, craft breweries are able to sell, for example, Bishop's Cider or Alex's products. But they -- the -- Bishop's cannot sell Stony Creek Beer, for example. So, there's that as well. So, there's little nuances that are interesting.

REP. CANDELORA (86TH): Yeah, that's why I asked that question, because I think the farm wineries are more restricted than others.

SENATOR COHEN (12TH): Yeah, yeah.

REP. CANDELORA (86TH): So, it's something we probably ought to take a look at and work through.
But I just want to take the opportunity to thank you for coming and giving your perspective. Thank you.

SENATOR COHEN (12TH): And if I may, I just also wanted to point out an interesting intricacy, is that, you know, farm wineries are able to sell their wine by the glass, which, you know, obviously their alcohol by volume content is a lot higher than that of cider. So, it's just an interesting sort of little tidbit, you know. Backwards to me, but.

REP. D'AGOSTINO (91ST): And I thank you both, Representative Candelora and Senator Cohen, for actually -- that little -- that discourse because I think it is important for the rest of the committee to hear that we have these different sort of nooks and crannies in the wall and part of the Senate Bill and the House Bill before is to try to work through that to maybe restructure these permits so there is -- they do make more sense, but also balancing the interests, for example, that we heard from Representative Rutigliano as well with, okay, what are gonna allow you to sell. We obviously want to limit that, I think, to your product in the first instance, and then maybe tweaks on that with respect to Connecticut products. That's obviously subject to some discussion. And then you heard the concern about operating a full tap room as well and I don't hear you saying that you want to do that. You would like the opportunity at least, at the very least, to be able to increase the limits of the product that you see and also sell a Connecticut -- another Connecticut craft product.

MR. DEFRANCESCO: Exactly.

REP. D'AGOSTINO (91ST): All right. Thank you both for. Other questions? Representative Kupchick.
REP. KUPCHICK (132ND): Good morning. Thank you for the opportunity. I'm just gonna briefly speak and introduce two of my constituents, Patrick Monteleone, who is the co-owner of Harry's Wine and Liquor, and Maureen Abrams, from Mo's Wine and Liquor. They are both longtime small business owners in Fairfield and they are both members of my small business advisory council and they are here to testify on S.B. 647, H.B. 7184 and 7183. And I'll just hand it over to Patrick.

MR. MONTELEONE: Thank you. Good morning ladies and gentlemen. I'd like to take just a few minutes to talk about the relationship with between package stores and these craft breweries, local distillers and local wineries -- or Connecticut wineries. Right now, the darlings of the industry are the guys with the big beards. We like them an awful lot. We've been supporting them for a great number of years. They've earned our respect. They've earned the respect of the legislature. And they represent small business in locally owned communities with their booming success and passion and their communal approach.

My store has and hundreds of other locally owned package stores offer a platform for these brewers to showcase their latest offerings and to further build the Connecticut-made offering. We do in-store tastings, dinners, meet and greets, and most importantly, we offer shelf and cooler space to help broaden their footprint in our state. We give our customers an opportunity to taste brews from all over the state to help create demand for their products. We work together with them to show the residents in our state that it's worth the drive to a small craft brewery that might be an hour or more
away. And more importantly, we make them accessible to the people who don't want to make the drive.

In the last year, Harry's Wine and Liquor Market has offered shelf space and a spot in the Harbor Brew Fest tent, which is a brew fest we do each year, to more than 40 breweries this past year. Every store around us, all of my competition, is vying for the next release from these guys and I'm proud to say that more than a decade ago, before they were all the rage, our store leant space to the first of these breweries. We dedicated our summers to showcasing locally owned breweries in the State of Connecticut. Every Saturday tasting was dedicated to a different brewery as we went through.

These are members of our community. They live here. They add revenue to the state. They spend their money here in our state and they strengthen the local economy. We're also equally proud to have products from places like Asylum, Westford Hill, Wild Moon, Elm City, Onyx, Valor, Broken Shed, Bella's, just to name a few. And mom and pop shops also offer a place for family wineries like Jones, Hopkins, Sharp Hill and more than 20 other Nutmeg State wineries.

But H.B. Bill -- excuse me. S.B. Bill 647 seeks to allow stores like Target, Wal-Mart, grocery store chains and other giant box stores to take yet another piece of the -- of our pie, allowing them to sell beer and/or wine, once again dipping in to the pocket of small business while painting locally owned shops as the spoiled little rich kids, clinging to an antiquated system, while instead offering a path to put the money in the pocket of big business. These poor, little, multimillion-
dollar companies, to pack the money up and take it out of our state. Can't help but to wonder how many of our Connecticut owned breweries Target is going to partner with to help build and to advocate for up here at the State Capitol.

Because of our antiquated system, we're able to support local. We're able to offer incredible diversity of choice. Our residents are able to shop at their choice of more 1,000 unique stores statewide. The proposals in H.B. 7184, 7183 and S.B. 647 really are designed to break the backbone of the small business man in the State of Connecticut. It's designed to drive out mom and pop shops.

REP. D'AGOSTINO (91ST): How?

MR. MONTELEONE: Well, if you -- in 7184, for example, if you offer ten items or ten labels below minimum bottle. We call one of them Smirnoff. You've got more than a hundred SKUs in Smirnoff. That's a start. If that's one item and then you choose something like Ketel One next or you choose a particular winery, for example, that has multiple labels, in some cases hundreds of labels, it's impossible to police.

REP. D'AGOSTINO (91ST): So, if we limited that to just an item, a specific -- the way it currently is. Like, let's say we limited it to just -- to just Smirnoff orange. And so you couldn't use -- we'd tweak the language to make sure you didn't -- because I heard you. That would -- that's a way around minimum bottle. That would let you sell hundreds, if not thousands, of SKUs. So, if we limited that the way we currently do and corrected the language to do that and went from one to ten
particular items, would you have an issue with that? So, it would just be so and -- such and such chardonnay.

MR. MONTELEONE: I would still have an issue with it and I'll tell you why it's an issue for me. Let's go back to October. So, in October, [inaudible - 00:59:46] has the deepest post of the year. You buy it in, right. The next month, some store has sold back items at the ten percent below. Okay. The idea of selling an item at ten percent below minimum bottle was never to be below the cost of acquisition. In November, all of the stores that did that, that sold that one product, were selling it at below the cost of acquisition, meaning a mom and pop shop couldn't buy that product at that price that month and sell it. We can't meet the price.

REP. D'AGOSTINO (91ST): Well, all right. So, that's a wrinkle in the existing law that we need to correct.

MR. MONTELEONE: We need to correct that before we do other things and watch and see how things work, right. These proposals that are being put out there right now are backbreakers. You can't come back from it. You can't change back from changing the law back. Big box doesn't let that happen. Big money doesn't let that happen.

REP. D'AGOSTINO (91ST): Well, I do - I do want to just drill down to specifically what is -- what you have an issue with. I mean, I understand that the SKU item issue. That is a great point and something we should deal with if we move forward from one to ten and make sure it's not a loophole to get that. And the issue you just described about even dipping below the acquisition cost is certainly an issue
that I was unaware of that current -- if that currently exists, whether it's one or ten items, we need to address. So, aside from that, for example, you mentioned the beer at the big box stores. I get that. Now, let me just sort of test that with you a little bit. I mean, we're not changing minimum bottle, so the price of beer at Wal-Mart is the same as the price of beer at your store. We're not doing that. Right?

MR. MONTELEONE: Okay. Can I speak on that just for a second?

REP. D'AGOSTINO (91ST): Yeah, yeah.

MR. MONTELEONE: So, the cost of beer in the State of Connecticut, min bottle is cost of acquisition. You're proposing that we do ten items of beer below min bottle. That's ten items, and labels, as it's been described. That's ten items that you're selling below cost of acquisition. So, if we're talking about beer and going into these big shops or even the shops that they're in right now and you go from one to ten, you're allowing ten items to be sold, a controlled substance, alcohol, an addictive, controlled substance, to be sold for less than the cost of acquisition. Which means that it makes more sense for me to illegally go and buy it at Target, and make ten percent on it at my store at cost, at min bottle.

REP. D'AGOSTINO (91ST): I'm not following what you -- put aside the ten items. Let's say we keep things the way they are with one item.

MR. MONTELEONE: Let's call it one item. Let's call it one item. Let's call it -- let's call it Bud Light 30-packs. Okay? Big store does their one
item below and it's Bud Light 30-packs. Cost of acquisition is minimum bottle per beer in the State of Connecticut, cost of acquisition. So, when you sell it at ten percent below, you're selling it at less than you paid for it. Less than I'm paying for it. So, then it makes more sense, if I could legally do it, to go to the store that's selling it at ten percent below, buy it from them, and sell it at min bottle. I'm making ten percent on it. This isn't -- this wasn't the intention of the one item below min bottle.

REP. D'AGOSTINO (91ST): All right. So, I'm presuming we can correct that. Although I will tell you that, and this is a topic for another day, I've had a number of people tell me a number of different things about what the minimum bottle pricing actually is, and I don't think we've ever gotten in this committee an actual explanation of it.

MR. MONTELEONE: I'm happy to answer as many questions --

REP. D'AGOSTINO (91ST): With that aside, let's assume we deal with that issue. The idea of Target being able to sell beer, just like our supermarkets can now, but again, at minimum bottle, again, putting aside that issue, what is the issue with that?

MR. MONTELEONE: Well, it's dipping into the pocket of small business, right. So, every 30-pack of Bud Light that I sell helps me to pay a light bill, helps me to pay my employees. The more distribution, the more watered down it gets. We have a system that works. It doesn't just work. It thrives. This is a great system in our state. It offers diversity. It offers small business a
foothold, we can be in business. All these little tweaks, all these little changes -- and they're not so little changes. These huge, monstrous changes in these bills are designed to cripple us. They want us out. It's as simple as that.

REP. D'AGOSTINO (91ST): All right. And I think we -- and I wasn't on the committee then, but I'm sure we heard the same things beer and supermarkets. And as far as I can tell, it hasn't led to an exodus or a destruction of the package store industry.

MR. MONTELEONE: Right. We've been able to stop a lot of the attacks. And you're right; beer hasn't put out any shops as yet in supermarkets. We've all found a way to coexist.

REP. D'AGOSTINO (91ST): And part of that is --

MR. MONTELEONE: But these aren't small changes anymore.

REP. D'AGOSTINO (91ST): Part of that --

MR. MONTELEONE: What you guys are trying to change up here -- excuse me. I apologize. But what you guys are trying to change here isn't small stuff. We're not trying to add it to locally owned grocery stores. We're trying to go to national companies that are siphoning the money out of our state. You've got a system that's --

REP. D'AGOSTINO (91ST): So, from my perspective -- help me understand this. Because if a consumer wants to buy it there, why should we -- I mean, and minimum bottle being equal and it's the same price, what you're saying is you're worried that the consumer is gonna choose them over you. That you're not offering the experience that would bring them
into your store and you're worried they're gonna buy it from them. Just like you guys were worried about they're gonna buy it from the supermarkets, which, as you just said, hasn't led to a destruction of the industry. So, I think that I'm trying to drill out here is you just don't want the competition. It's not a question of putting you out of business.

It's just that, you know, you don't want somebody else selling the same product at the same price, because we're keeping minimum bottle. And you're worried that whatever the experience is to bring people into your store -- and I -- see, I disagree with that. I think that a lot of these stores are fantastic. They offer a personalized experience. I can get a bunch of different craft brews. Target, nobody is there helping me pick a different kind of beer that I what or whatever. That's just not the experience I'm gonna get. I'm still gonna go to my good package store down the street that's offering that experience. Why don't you feel like you can compete on that level?

MR. MONTELEONE: I think that when you try to break it down -- this gigantic thing that's been proposed, when you're trying to break it down to one small argument and saying, you know, what's the big deal with having beer in there, and then what's the big deal with putting wine in grocery stores, and what's the big with offering ten items at ten percent below, and what's the big deal with the rest of it, and on and on and on. And every year we come up here.

Every single year we come up here and there's a different approach to the idea that this isn't gonna hurt you guys. In the meantime, while we have a lot
of stores still hanging on, a lot of guys have gotten out. Really good business owners have gotten out because they can't make a living anymore. You're taking groups of people, 20 people that work in my store, and you're taking that down to 15 people, then 12 people and two people. And the numbers are getting smaller. We're not getting bigger. We're not getting better and stronger because of these proposed changes. We're hanging on! We're scared to death!

So, when we see something that you say, well, let's put something else into big box stores. Let's invite the other big box stores. Let's give them ten permits. It's gonna hurt to give them ten permits. It's gonna destroy us. That's what these bills are designed to do. We've seen it in every other industry. Look at the mom and pop drugstores. Lupe's just went out of our town. You know why they went out? Not because they couldn't stay in business. We've got great local support in our town. But because big business won't let them sell maintenance drugs, so they can't -- it's just one more thing. Are we protected? No, --

REP. D'AGOSTINO (91ST): There's a big difference in that example, though, a big difference. Which there's a big --

MR. MONTELEONE: I'm not saying --

REP. D'AGOSTINO (91ST): Let me finish. There's a big difference in that example. Which is all those other industries, those bigger stores can come in and undercut on price. And minimum bottle, which is unique and protected in the system, protects all of you, prevents that from happening. So, the same price is charged. So, we're not talking about a
price issue. We're talking about the customer choosing between one experience or the other.

MR. MONTELEONE: This year. This year.

REP. D'AGOSTINO (91ST): Fair enough. If the counterargument is -- let me just finish. If the counterargument is a slippery slope, I get that. But I want to be very -- I think we all need to be honest about what we're talking about here.

MR. MONTELEONE: I don't have any problem. I'm scared to death! I just said it. This is --

REP. D'AGOSTINO (91ST): Representative Rutigliano.

REP. RUTIGLIANO (123RD): Thank you, Mr. Chairman, and thank you for -- you asked most of my questions. I thought you did a good job. I thought you guys were having a great conversation and I appreciate that. I am sympathetic to your business and your group of package store owners and I'll tell you why. The reason is, is that you guys all opened up your business under one set of rules.

MR. MONTELEONE: Right.

REP. RUTIGLIANO (123RD): And everybody knew the rules. And we keep consistently changing those rules.

MR. MONTELEONE: Right.

REP. RUTIGLIANO (123RD): So, I don't think that's fundamentally fair. And as a state, why in the world would we not want to support our Main Street businesses is beyond. These big box stores haven't done us any good. What separates Connecticut from a lot of other places that we drive through? If you drive down south, you go -- you're driving on the
highway, you go from one big plaza with a bunch of national chains to the next big plaza to the national chain. What makes or state wealthy and what has always made our state wealthy is that we have a lot of independent business people and we have a lot of entrepreneurs. So, I think it's something that we should promote. I'm sympathetic to you that we keep going up here and changing the rules on you. And I'd like to see you stay in business. Sorry, I'll get off my soapbox and ask you a legitimate question. And that would be, of all the things that we've done, Sunday sales, holidays, have you seen an increase of business? Has this -- any of these initiatives we've done helped your store?

MR. MONTELEONE: None. And, in fact, it's been quite the opposite. The small store -- I happen to be in a very fortunate situation. I have a store that is on the larger side of the mom and pop shops, okay. Depending on the time of the year, we're somewhere between 12 and 20 employees, which is a pretty good number for us. I can afford to shift things around. I can move a manager from a Saturday to a Sunday and afford to be open on a Sunday. But small mom and pops can't do that. They have to -- some of them are closing on a Sunday and giving me their business. You know, that's one more -- that's one more store that's being stressed on. They're not making any more money. I'm not making any more money. We were promised that we would. But it's just moves business from one day to the next.

REP. RUTIGLIANO (123RD): Right. So, my question was instead of increasing, exponentially, your business, it sort of just spread it out over another day?
MR. MONTELEONE: It spreads it out over another day and it cost me more money to be --

REP. RUTIGLIANO (123RD): Have you seen any jump with holiday sales? Has that helped you at all when we started opening up on certain holidays?

MR. MONTELEONE: Nope. My business is 78 years old. I can look at it and predict pretty well what is gonna happen with it year to year. I've lost it. I've lost it before and I've lost it after and there's virtually no change in new sales.

REP. RUTIGLIANO (123RD): So, have you seen any increase in sales when we expanded the hours that you were open per day?

MR. MONTELEONE: No.

REP. RUTIGLIANO (123RD): No. All right. Thank you. Thanks for coming up. I hate to say that both of your stores are my go to package stores. (Laughter)

REP. D'AGOSTINO (91ST): Mm-hmm.

MR. MONTELEONE: We appreciate that.

REP. D'AGOSTINO (91ST): Mm-hmm.

MR. MONTELEONE: By the way, my closest competition, right down the road.

REP. RUTIGLIANO (123RD): Your closest competition.

REP. D'AGOSTINO (91ST): Representative Candelora, I'll get you in a second. Senator Witkos had a question. Thank you, Representative.
SENATOR WITKOS (8TH): Thank you, Mr. Chairman. Is there anything in either of the two omnibus liquor bills that you support?

MR. MONTELEONE: Well, I will tell you that the idea that the local craft breweries and Connecticut-made products be able to sell on a level. I think Senator Leone said it best. Small increases over time is a good idea. These guys are working hard. There'd be -- they're thriving in a time where the state is in a financial crisis and these guys are bringing business to our state. And they're expanding, they're growing. I think we ought to support these guys. We ought to try to find a way to be able to make sure that they can continue to increase their footprint and help our state.

SENATOR WITKOS (8TH): Sure. Because I think that that argument can be made if somebody's buying beer, while the -- I know that the niche market of the craft beer is gaining momentum. But it's very, very, very small in the scheme of tax dollars that are garnered from that. And, you know, this industry is 100 percent regulated. And if it wasn't for this legislative body, there would be no craft breweries or farm breweries or distilleries or you name it. So, we tend to move slowly, but cautiously. And I think that the fruits of our labor have shown success by the number of craft breweries that have been able to be formed and that are in the pipeline to open next year. The same with the distilleries and the farm wineries and, you know, the hard cider and I'm hearing about mead for the first time. I guess that's out there that people like that and we're gonna contemplate that in this bill.
But because of bills before us, so, you know, often times we try to look towards consumer ease or what they would like. And I am sure that's the motto for most of the folks, the business people in this room today are. They want to provide to the consumer. So, we also look at that as well. And to the chairman's point, if a store sells groceries and they are one of the largest net grocers in our state and have a permit to sell groceries, why would we preclude them from selling things that a normal grocery is allowed to do? And that's just a difference of opinion, whether we think it's a big box or not, because I consider grocery stores big boxes. If you go to the Stop and Shops, the Big Ys, the Shop Rites, those are big box stores.

So, it's a matter -- for me, it's a matter of customer convenience and. So, I would look for something that's constructive to help us advance -- give the folks what they want in this room, but making sure that we still have the controls in place, going forward, to protect, as the chairman in the opening remark, the three-tier system, because it's worked well for our state. And for every ask in this room, there's another side that doesn't want to do it and they just want to keep everything the same. But we've got to modernize our liquor laws and make them more efficient, and some of those things are contemplated in these bills. So, that's the purpose of today, is to have these discussions. But I'd like -- what can you see that would enhance and maintain the retail level that you have in any of these bills. Or if it's not contained within this bill, what suggest would you have for this committee to contemplate?
MR. MONTELEONE: Well, my suggestion, my personal suggestion, is I'd go back to what Representative Rutigliano said, and that is we bought into a system, right. We bought into a system that works, that thrives. We can talk about the idea, you know, you can tell me that we need to modernize as it was. But my question is why? What is it that's not working about it? Why do we need to modernize a set of rules that works? I don't understand.

SENATOR WITKOS (8TH): Well, I'm not gonna get in an argument with you here or a debate. But we have over 74, maybe it's 82 now, off-premise permits, which is ludicrous in our state, because we've never combined things, making them more efficient. We've heard testimony from folks that if they own a restaurant and have a liquor permit and they want to produce some food product and move it over to this location, they have to get a different permit. We want to get rid of all that, clean it up a little bit, make it more business friendly. And so, that's what we're trying to do here.

MR. MONTELEONE: So, I can't --

SENATOR WITKOS (8TH): So, I do not accept the premise that, just don't touch anything. Leave everything the way it is.

MR. MONTELEONE: Well, I've tried to speak in support of those guys, and especially Connecticut-owned breweries being able to expand on that. You guys have got a tough job. I get it. I know that you guys have a tough job. But I don't work that part of it so it's hard for me to speak on and try to help guide or offer advice as to how to get from here to there with the type of things that you're looking at. I -- but I'm --
SENATOR WITKOS (8TH): But specifically, let me ask you this question. So, one of the bills -- I think both bills addressed the fact that give you, as a retail, a package store owner, the ability to sell at ten percent below, whether it's one SKU or three SKUs. You're saying don't do any of it. It doesn't benefit you. Yet we heard in stark contrast from package stores that we'd like to be able to do that because then we can be competitive from the next package saying, hey, I'm gonna offer this bottle of wine at below cost so that'll drive people into my store and maybe I could offer, with the experience and we have some food items or whatever. They'll come into my store and then become my regular customer. And that's why we did that a few years ago, but now -- am I understanding you incorrectly, that you don't want that to be the case anymore?

MR. MONTELEONE: Okay. So, anytime -- so, I'd prefer that it wasn't, personally. But big chains want more of that. The guys that own multiple license, including guys like BevMax and Total Wine and those guys. Those are the guys that are driving that conversation and saying we want a bigger piece of pie. We want to be able to take customers away from somebody else. Mom and pop shops, guys that own one store, two stores, three stores, they're not asking for more. That's not happening. At least not to the people I talk to and I talked to a lot of owners out there.

REP. D'AGOSTINO (91ST): Just let me interrupt. So, again, our overflow room is 1D and I think the State Police are gonna ask you guys in the -- who are blocking the doors to go to 1D if you don't mind. Just because we're -- or find a seat, please, because we've got a bit of a safety issue. So, if
you could do that. At 1D, we've video and audio. I'm sorry. Go ahead.

MR. MONTELEONE: That's okay. To take it a step further. The way that the law was implemented, from what the conversation was, from what the task force came up with years ago, five, seven, eight years ago, whatever it was. When we had these task forces and we studied it and looked at it, and we made these small changes, it wasn't done correctly. So, now we're in a situation where you're selling a controlled substance, alcohol, at below cost of acquisition. It's a slippery slope. It's a scary thing to watch both morally and ethically for me, and as a business owner. To know that the big chain stores are going to have lots of people studying this stuff, talking to the suppliers, getting the minimum bottle reduced even more so that now they're selling -- you're selling it below what I can buy it for.

SENATOR WITKOS (8TH): Thank you. We've gone through this argument. Thank you, Mr. Chairman.

REP. D'AGOSTINO (91ST): Representative Candelora, who is waiting patiently.

REP. CANDELORA (86TH): Thank you, Mr. Chairman. I figure I will be waiting patiently all day along with everybody else here that has to testify. But I did have a question. I just wanted to ask you, you know, your point on this being a controlled substance, because I think that gets lost in all of this. We're not talking about a loaf of bread or regulating coffee. This is about a controlled substance that's an intoxicant. And first off, just to walk through with, you know, with minors, not just selling to minors, but also minors that are
working at different establishments. For your package store, people are only allowed to be 18 years of age or older to work?

MR. MONTELEONE: Mm-hmm. Correct. Mm-hmm.

REP. CANDELORA (86TH): One of my concerns, you know, about looking at this expansion is the impact on youth employment. Because the more liquor that ends up in other stores, those are more jobs that likely won't be able to offer to them. Because I think we have laws on the books that on premises that sell alcohol --

MR. MONTELEONE: True.

REP. CANDELORA (86TH): That's correct. Okay. And then you spoke about the reason for minimum bottle. Do you know why we have min bottle, the way it is right now?

MR. MONTELEONE: Well, there's -- there are a number of answers, I suppose, to the question. The best way that I can say it is I've got a small store down the street from me called Pequot Liquors. They're just a small bodega, a little shop. He is here? And it keeps people the size of me from driving out guys the size of him. Right? So, we're looking at a control of not being able to sell lower than what you paid for it, for a controlled substance. It also builds a healthy environment. It gives -- it puts us all on a level playing field. It gives us the ability to compete against the big, giant stores and offer more diversity in the State of Connecticut. Which actually, really, -- the three-tier system really is brilliant. I know a lot of states have gone away from it and there are states
that are trying to get back to it. They can't, because big box owns them.

REP. CANDELORA (86TH): And I appreciate that. And I guess back to that point, you know, we have the minimum bottle in place for competition purposes. But you're not here just today about competition. I mean, this is about making sure that we appropriately regulate the industry.

MR. MONTELEONE: Yeah. There's a lot to this.

REP. CANDELORA (86TH): Yeah, and I appreciate that. You know, to editorialize, we're dealing with the marijuana issue and there's been a lot of talk, well, if we do it, it needs to be very restrictive, which I think everybody has concern about. So, on one hand we have legislators that are saying, yes, we should do it. It should be very restrictive. Yet, let's open up liquor and make it more accessible to everybody. We're having an inconsistent discussion here and I do appreciate your testimony.

MR. MONTELEONE: I think you said it best when you said I think that they're forgetting that this is a controlled substance, an addictive, controlled substance and we're arguing about this like it's bread. And it's not.

REP. CANDELORA (86TH): Right.

MR. MONTELEONE: This is -- we're a very different industry. We take great responsibility and pride in our responsibility. I've got a stack of fake IDs that tall that I turn over to our local police every year. It's not to get kids in trouble. In fact, we don't want to get the kids in trouble. But we want
them off of the streets. You know, a lot of those fake IDs go right through scanners. You know, I -- we know -- we've learned how to look for them. But I can't tell you the number of kids that have good fake IDs that are shopping in grocery stores. I don't know what the number is. I'm not gonna pretend that I do know what the number is. But I can tell you it's happening.

REP. CANDELORA (86TH): Yeah, I mean, definitely. The element of buying a case of beer at a grocery store. I have a different cashier anytime I've done it, whereas my local package store, it's the same person I'm seeing every week. They know you. They know who they're selling to. And it -- I can't agree with you more and I appreciate your points. Thank you.

REP. D'AGOSTINO (91ST): Representative Cheeseman.

REP. CHEESEMAN (37TH): Thank you, Mr. Chair. Thank you for taking the time to come up and testify today. And I want to sort of segue off of a couple of the committee members comments. First of all, I do understand the point about convenience. I'm blessed to have two full -- well, this full-time/part-time job and another full-time job. And I know, with limited time at my disposal, if I can do that one-stop shopping simply because I don't have the time. On the other hand, I am very blessed to have some great package stores in my community, Mermaid Liquors in East Lyme, and [inaudible - 01:24:41]. Not only a terrific establishment, but so active in my community, promoting Niantic, Main Street, you know, from a philanthropic point of view. I believe in supporting our small business owners.
I'm looking for data. I mean, Connecticut's laws are so arcane. Do we have any data on the affect that an influx of the ability of someone like Target to Wal-Mart has on those small business owners? Do you have data on the affect that the changes that have been made have had on a number of package stores in Connecticut? I mean, maybe the Connecticut Package Store Association. Because --

MR. MONTELEONE: Yeah, there's probably somebody that does. I do not.

REP. CHEESEMAN (37TH): Yeah. Because I -- you know, it's genuinely going to drive down sales, drive people out of business.

MR. MONTELEONE: Yes.

REP. CHEESEMAN (37TH): But I -- again, I would love to see, you know. And I accept your viewpoint. But for me to make the sound argument, if there's data available, I would be very, very happy to see it.

MR. MONTELEONE: Okay. Well, I'll leave to the CPSA to hopefully be able to come up with something. I can tell you one quick story, if you'll allow me. Florida went through this a number of years ago. My son was very fortunate to play on a team, a town football team that was able to go the national championships. We went three years in a row. A really great experience. When we first got to Florida the first time, Total Wine was not in Florida, or was just breaking into it. The hotel that we stayed at, we stayed at for three years running, three years in a row. The first year we went down there, there was a bunch of mom and pop shops near the practice field, near the hotel, that kind of a thing. So, you know, the adults, at
nighttime, after we put the kids to bed, would stand around and drink a few beers.

The first year we went down there, we got to know one of the package store owners. They were in the midst of a --

REP. D'AGOSTINO (91ST): I'm sorry to -- we've had you on for actually awhile now. Let me Representative Rutigliano.

REP. CHEESEMAN (37TH): Thanks. I presume by the third year, they were gone.

MR. MONTELEONE: They were gone. They were all gone.

REP. CHEESEMAN (37TH): Okay. Thank you. Thank you for your time. Thank you, Mr. Chair.

REP. RUTIGLIANO (123RD): Thank you for allowing me to ask another question, Mr. Chair. I just have one quick one, because I fully agree with the Senator's comments about having to tighten up our liquor laws and how many permits that we have, and that it's crazy that we have 80-something. How many permits are there that relate to package stores? Is there just one package store permit or are there different levels?

MR. MONTELEONE: There's only one package store permit and there are five allowed per owner right now. The newest --

REP. RUTIGLIANO (123RD): But as far as permit goes, there's only one in the regulations that you apply for if you want a package store?

MR. MONTELEONE: Correct.
REP. RUTIGLIANO (123RD): Okay. Thank you. Thank you, Mr. Chairman.

REP. D'AGOSTINO (91ST): Other questions from committee members? Thank you very much.

REP. KUPCHICK (132ND): Thank you. And I just want to say, as someone who is a small business owner for over 30 years, you know, having a legislature talk about being more business friendly while systematically attacking small businesses consistently in the eight years that I've been in this legislature, is just astonishing to me. That these people provide jobs, provide convenience, and are part of the community, in every single one of our communities, and every year I have to bring small business up --- small businesses up here, begging, begging to be able to survive in this state. So, I just hope that you're listening to these small business owners. Thank you.

REP. D'AGOSTINO (91ST): We're gonna -- since we're well past the public cutoff for our legislators, we'll alternate back and forth. That's probably a good transition to; I hesitate to call him a member of the public, Carroll Hughes. And we can continue this conversation with Carroll.

MR. HUGHES: Well, Thank you, Mr. Chairman, members of the General Law Committee, Rankings. My name is Carroll Hughes and I'm here to speak in regard to three bills before you today on behalf of the Connecticut Package Stores Association. Those bills are bill no. 647, 7183 and 7184. Bill no. 647, the item we object to very much in there is allowing the major box stores over 6,000 square feet to -- who have dedicated 20 percent of their area to food, to sell beer. Those are the box stores. This is the
Wal-Mart bill. This is the Target bill. This adds in another probably 10 to 30 box stores. We already had 900 food stores with grocery permits and we have 1,250 package stores. That's sounds pretty convenient to me.

We also -- and there's other provisions in there that are favorable to the industry, the wine, spirit and the brewery people. We support all of those. Those are our customers. Those are the people that are growing. That is the material that's not sold in box stores. That is the people we are very much in support of today. We also object to bill 7183, which basically puts our wholesalers and puts them in an insecure position, where they won't even have basic safeguards of any kind. And the people that come into the state and want to go into a system where they are also protected, including the breweries in this room, they'll love those agreements once they get large enough to deliver product or have it delivered by beer wholesalers or wine and spirit wholesalers. They'll love the system. They are not gonna like that 7183.

All three of these bills are almost designed to completely eliminate and give a termination date to small retailers and actually wholesalers in this state. (Bill) 7184 is a bill you couldn't have written better to destroy the liquor industry in Connecticut. It has provisions in there which are designed and written in some corporate boardroom far from here, designed to eliminate the stores.

REP. D'AGOSTINO (91ST): I just need to correct. That's just categorically not true and I do resent the implication that this committee is somehow in the pocket of someone else and has draft -- we
screen bills. We decide what we want to put in. We massage the language. We decide what puts in here. They are not written somewhere else. They're written by these legislators who are here representing constituents and consumers. And I want to note that for record, by the way, Mr. Hughes. You know, I hear a lot about these -- what we've got before us here is gonna drive these people out of business. Drive them out of business without any -- by the way, any, per Representative Cheeseman's point, statistical analysis of it except for the fact that when we did it in grocery stores, it didn't put people out of business.

But the point I want to make with respect to this is that the department that reports to us is the Department of Consumer Protection. And with all these corporate representatives, paid representatives, we have signed up to talk to us today, no one is here as the consumer representative, saying I like Sunday sales; I'd like to be able to have the choice to buy in a big box store; I'd like to see my craft brewers expand, etcetera, etcetera. The consumer doesn't have a paid representative appearing before us today.

So, I just want to correct that for the record. I've heard that a couple of times. I've seen it a couple of times in the written testimony and I do not like it. This committee is not in the pocket of corporate representatives. In fact, we are here to advocate for consumers, and that is the fundamental tension between, I think, some of the things that we're proposing and some of the things that your industry rightfully does have concerns about. And I just want to test one of them with you now, because
we just talked about with respect to the big box stores and you mentioned it.

Again, the way that this has been proposed, and I just want to make sure that you and I are in agreement on at least the terms that we're talking about, which is that those big box stores would not be able to sell below minimum bottle pricing. And I heard the concern raised by the previous gentleman about not being able to go below cost, and that strikes me as a very valid one. So, my question to you is, that all things being equal and a consumer has a choice between going to one of the 1,250 stores that you represent or buying their Bud Light at Target, what is wrong with giving consumers that choice, price being equal?

MR. HUGHES: Well, the particular details of it are that there's a finite market for alcoholic beverage products. So, if you're putting somebody else in business, you're taking it from somewhere else. It's not new business created. That's the particularly assumption being made here. And, in fact, it's also taking it from those breweries, which we're not complaining about here. It's taking -- there's only a finite issue of consumption. That's all I'm saying. And the only reason I'm saying -- I talked to every member of this committee, asking them where these provisions came from. They -- most of them could not answer me. So, that was why I made the assumption it came from someplace else. So, I'll answer the other two, if you'll let me explain these?

REP. D'AGOSTINO (91ST): Please.

MR. HUGHES: Okay. Thank you. The -- so, the other items that are important here; the one going from
five to ten permits. That's not for anybody I know in Connecticut except for some major box stores and huge money that wants to put other stores into business. So, that's our assumption, because I don't know -- even Total Wine has five permits they're able to use and they've only used four. And they're the savviest retail player I know on the street, this and in 42 other states. So, that's all I'm saying for that. So, you might ask them how come they didn't take the fifth permit. I don't know.

Also, the ten items; those ten items in beer and those ten items in liquor. There are five top-selling beers. Five top-selling that are 65 percent of the market. There are probably -- and I can give you all the names of them. I have a list of them. I'll be glad to share it with you. I'll be glad to share with you the top ten and top twenty spirit brands that are sold in the State of Connecticut. If ten go on sale that is almost the entire market. It's 75 percent of the market with ten to fifteen spirits. They sell the same way in every state, certain vodkas, certain scotch, certain ryes, whatever they happen to be. And ours aren't rated, the ones that we make here, obviously.

The mail order wine, if that isn't the most diabolical issue I've ever seen. We are putting mail order wine into the State of Connecticut. We have seven states in the U.S. that allow either reciprocal agreement or they allow direct shipment of wines into their states. Some of them, like, North Dakota's one, Louisiana is another. We have 35 wineries in the State of Connecticut. They have 3,700 in California. There are 8,000 wineries that would ship into the State of Connecticut. Oh, I
know in the bill it allows the State of Connecticut to ship back. Who's gonna compete with them? We're talking people, 53 of them make over 500,000 cases a year that they can ship. They have targeted marketing lists. They buy credit card records of you and me and see who purchases over $500 dollars a year in wine and that's the targeted mailing list. It is a total unfair advantage. It would destroy our local wineries, the people that are making wine in Connecticut.

All of these -- I will give you all the arguments you want. I have a package of material I can leave with you. I have the charts here that show what states have the reciprocal agreement. And I will leave you with, if you'd like, or give you anything else that I can get that show my point. I'm not just pulling this stuff out of the air here.

REP. D'AGOSTINO (91ST): No. And with respect to the wine shipments, for example, I don't -- this has been my problem with that when we have this discourse, is it's always assumed to be - that's it. The gates are open. Everybody's out of business. And it would be helpful I think, again further to Representative Cheeseman's point, if we actually had some real data and we were talking about numbers. Because the slippery slope argument, you know, it just -- you keep hearing it and keep hearing it and keep hearing it. We heard it for Sunday sales. We heard it for supermarket sales. And at some point, it sounds like the boy who cried wolf.

But with respect to the wine shipments, would you be opposed to -- I think what this committee is contemplating is a very limited -- a consumer can't get a particular product. They want to order a rare
wine from France or some California vineyard. And we limit it to one or two bottles. We're not -- we certainly are not talking about allowing people to circumvent the system by importing caseloads upon caseloads of wine. That's the very targeted, no pun intended, limited idea that's before us. Do you have an issue with that?

MR. HUGHES: We've been working over the last two years with the parties that purport that they are bringing rare wines. We have looked at what those rare wines are. We have looked at the -- I've dealt with the wine and spirit wholesalers. There's a process for clearing wines in Connecticut. It's very established. It's to make sure that the tax revenue comes to the State of Connecticut. That's one of the assurances.

So, we have been talking with, actually, your co-chair, Senator Fonfara, and the Finance Committee over a period of two years and trying to figure out something that if something is not available in the State of Connecticut, is not available, that we could find some system to do that. We are amenable to that situation. We continue to deal with you or the Finance Committee to attempt to do something. But I just want to point out very -- something very important. Beer has been in supermarkets for 30 years. You have never heard anybody have that issue in this building. I have never spoken on the issue and I've been with them for 42 years. Beer has been in those stores for 50 years. It's never changed. They have about 12 percent to 15 percent of the marketplace in those stores. And the box stores would be also taking beer from those stores. That's just the nature of things.
REP. D'AGOSTINO (91ST): With respect to the permit issue, I want to make sure; again, also we're clear about what we're talking about here. There's currently a limit on the number of package stores that one person can own and that one that is, I think, five.

MR. HUGHES: Five.

REP. D'AGOSTINO (91ST): All right. So, I'm trying to understand what the objection is to allowing it to be ten. If somebody who owns a package store wants to sell it and there's a buyer out there who wants instead of five, six, why are we preventing that economic activity? Again, all other things being equal, there's no way -- there's no way in Connecticut, because of minimum bottle -- I'm assuming we don't -- I heard you one the brand versus item issue. We're not gonna change that. There's no way in Connecticut that that owner of five, six or seven stores can use his or her economies of scale to lower pricing. We don't allow that in Connecticut. So, why would we prevent that kind of private transfer? If somebody wants to sell their business and somebody wants to buy it. What's the problem?

MR. HUGHES: Everybody in this room, I believe, at least all the wholesalers and certainly me, are looking at the collective nature of what you proposed in this bill. That is a very significant event. We're looking at the wine. We're looking at the beer migration to a new location. We're looking at the ten items per month. We are looking at the whole collective. And that collective, in all due respect to you, says we're terminating the business in the State of Connecticut.
REP. D'AGOSTINO (91ST): But my specific question about the permits, though. If you could address that.

MR. HUGHES: Well, I said that we would consider something in addition potentially, but we're not looking at anything. A pall has gone over the industry because of the provisions in this bill and statements that have been made about what the industry is going to face next year.

REP. D'AGOSTINO (91ST): Other questions? Representative Candelora.

REP. CANDELORA (86TH): Thank you, Mr. Chair. Thank you for your testimony. Just looking at that issue of the going from ten to five. What impact would we see with, I think it's per town, going from a population of 2,500 residents to -- or I'm -- yeah, 2,500 residents to 5,000 per town. How many stores would that end up reducing?

MR. HUGHES: Well, it's not -- it grandfathers in everybody if they're still around.

REP. CANDELORA (86TH): Right, but over time. Like, if you sell your permit, you can't -- so, say I'm in a town with 10,000 residents and right now we have four liquor stores, package stores. The law changes to 5,000, so now, arguably, that town can only have two. When I'm ready to close my shop and I want to see my permit, I'm not going to be able to sell that. Correct? That's how I get grandfathered out, essentially. Even though the law allowed me to exist because we're grandfathered, the minute I try to sell my asset, I can't. Is that how it would work?
MR. HUGHES: Probably so. I think what you have to do is you have to take 3.5 million, which is about the population of the State of Connecticut, and that population is being redistributed every month between the census. That's every ten years, by federal law, we have a census. The population moves into the suburbs. It doesn't come into the big cites as much, which have most of the permits, and you can't have another permit even with the 2,500. Most towns in Connecticut, most towns, where there's any significant population, are already well over that 2,500. There's six or seven package stores and there's 10,000 people. So, that wouldn't equal out without any artificial implementation of something which drives them out. That wouldn't matter to us until 2023 or later. None of us are gonna be around before that one has a telling affect on certain towns.

REP. CANDELORA (86TH): So, I guess just to get my arms around this, because we talked about the grandfathering. But every time a permit is sold, you transfer it, you know, DCP would have to approve it. Does it become a new permit? I'm just wondering if the grandfather would actually effective.

MR. HUGHES: No, it stays. It stays. It stays.

REP. CANDELORA (86TH): Okay. So --

MR. HUGHES: Because right now, what they do in many cases, they go to a central city, buy somebody's permit in a central city. Once there is another permit available. For instance, there's two elite abnormalities of that permit. One is when the census is complete next year and there is one more person -- say there are five permits in the town and
the town has 10,000 people, there's four. They get a fifth one, one person over that population.

REP. CANDELORA (86TH): Okay.

MR. HUGHES: And secondly, if there are no package stores in the town. Like, for instance, Brookfield just got one because the town was dry and it went wet. And so, they were allowed because of the 3,000 population, I think somewhere around that. They were allowed to get a permit. So, that's the other abnormality in the system. But other than that, there's more package stores in the State of Connecticut per capita population than almost any other place.

REP. CANDELORA (86TH): Okay. Thank you. And then in terms of enforcement, the impact of a package store, if they're caught selling to a minor, am I correct it's either they get a fine?

MR. HUGHES: Fine and suspension usually.

REP. CANDELORA (86TH): And suspension usually. And after the second time, is the suspension automatic?

MR. HUGHES: Sometimes they go six days or seven days. They go three or two in the first instance, depending on the circumstances, and a fine.

REP. CANDELORA (86TH): So, if a package store is illegally selling and gets caught, the ramification for them is they would have to shut their business down for an entire day, which is -- or however long DCP orders them, which is pretty significant of a punishment.
MR. HUGHES: Especially one they don't let you close on Monday and Tuesday. They close you Friday, Saturday and Sunday.

REP. CANDELORA (86TH): Okay. So, if we had alcohol being sold in a Target, for instance, and they're caught selling to a minor. What's their impact?

MR. HUGHES: Well, they don't shut the whole store down.

REP. CANDELORA (86TH): Right.

MR. HUGHES: That's the problem. And the problem is in those stores, you go to a cash register farm to get your beer checked out. You don't go to a person. They got rid of most of those. They're not in those stores anymore.

REP. CANDELORA (86TH): Yeah. I know the kiosks are a whole other issue and they do have somebody there sort of supervising in some places. But I guess I would wonder where our violations are in the State of Connecticut. Do we see them at grocery stores more often or not?

MR. HUGHES: Mostly they're in convenience stores. They're in sometimes in food stores and they are in package stores. I think about ten percent of them, eight percent, are in package stores. Periodically, they have some good sting operations. But the rest of them are in other stores.

REP. CANDELORA (86TH): Thank you. I appreciate it.

SENATOR WITKOS (8TH): Thank you, Mr. Chair, and thank you, Mr. Hughes, for being here. So, going back to the permit component of it, you had mentioned that the large store that could buy five
only has four. How many people do we know or how many owners do have five permits now? Do you know that number at all approximately?

MR. HUGHES: I know I have about three of my stores which are small stores strung together in geographical areas. I have -- I've never had that many, but I do have five right now, four or five because I have five stores.

SENATOR WITKOS (8TH): So, you know of some -- it's a small amount that actually has five permits.

MR. HUGHES: Yes.

SENATOR WITKOS (8TH): Okay.

MR. HUGHES: In fact, I asked them what the economies of scale are and they seemed to think they dress up the store, they cleaned it up, they expanded, and they do things, and they can get more sales out of that location.

REP. ACKERT (8TH): Okay. Thank you. And then -- I'm not sure if you know the numbers and maybe it's something I could ask. The overall increases -- because I know, you know, when I think of convenience, when I'm going home and -- for me, having the package store near my business and on my way home rather than drive. I'm in a rural area so there isn't a big grocery store or a large big box store near me. The convenience one is the one, on my way home, that I grab my bottle of wine for dinner or something like that. So that to me is convenient. My question is, you know, -- and I see the -- you know, I see the owners there now. They're the ones that are working on Sundays if, you know -- because we changed that. Has the overall
sales, gross sales, in the state increased overall since we've changed these laws over the last couple of years?

MR. HUGHES: You know, there's a startling new statistic, and I talked to Revenue Service about it two days ago. And I follow those stats every month all year round. And the only one that is authoritatively, in -- authoritative statistic is what the excise tax that's paid to the State of Connecticut. There are no breakdown of figures in the package store, in a restaurant, obviously. We know that 65 percent of the sales in Connecticut for off-premise consumption is 65 percent, and about 35 for restaurants, basically on-premise consumption. Something is going on out there that the excise tax, which went in the first year of the Malloy administration when he increased the taxes by 25 percent, the excise tax, collectively, on beer, wine and spirits, went from $50 million dollars to $60 million dollars. Absolutely the 20 percent he raised the tax. It went up to $60 million dollars.

That has stayed pretty consistent. It started to drop about three years ago and is down to $56 million dollars right now. And I think there are a lot of factors. I think that the -- I don't know what all the answers are. It certainly isn't out-of-state sales because that's not changed much in pattern I don't think. So, something's going on out there. Whether people aren't drinking as much, aren't drinking the same products, something is dropping our excise tax, which means it's dropping our retail sales. But I want to know that because nobody keeps figures collectively as to what gross sales are in package stores. They're just another business as far as DRS is concerned. So I don't
know what the answer is, but something is going on out there. And we think as soon as marijuana hits there's gonna be another significant hit to the alcoholic beverage market.

REP. ACKERT (8TH): Okay. So, in a short answer on this one and I didn't know -- so, I guess, are we consuming more or less? It sounds like we're on the less side.

MR. HUGHES: Let me tell you. I go in those breweries. We've been in about ten of them in the last two months, my wife and I, just to stop in. And I'll tell you, you walk in on a Saturday afternoon, when you walk into the place three's 300, 400 people in there. I don't understand what's going on, but they're all there.

REP. ACKERT (8TH): Thank you, Mr. Hughes. Thank you, Mr. Chairman.

REP. D'AGOSTINO (91ST): Senator Witkos.

SENATOR WITKOS (8TH): Thank you. I think one of the goals has been trying to modernize, as I said before, our liquor laws. And back in the day, the package stores were really the only retail outlet to consumers. But that has since changed. And some of the things haven't changed and I'm curious what you opinion is. One of those changes that I think may need to change is the fact our craft breweries are held to the same hours as a package store. And I think maybe it's time to bifurcate those and you have your hours and they can set their hours. I'd like to hear what your comments are on that.

MR. HUGHES: You know, those people are our customers. We're closer to them than anybody. We
sell their products. You Patrick Monteleone up here saying he's got 27 beers in his store in Fairfield. That's significant. You know, I don't have a problem with them -- there's a caterer permit. They're gonna have functions here. I don't mind them having functions. I'm not the one to stop those people. I think they're gonna proliferate and we're gonna be their partners all the way through it, and actually beer wholesalers are gonna be their partners also. So, if they want to be open another couple of hours, three hours, we're not losing anything. They're there because that's where they want to be.

SENATOR WITKOS (8TH): That's all I want to hear. Thank you.

REP. D'AGOSTINO (91ST): Representative Cheeseman.

REP. CHEESEMAN (37TH): Thank you, Mr. Chair. And thank for coming here today, Carroll. How many package stores are there in the State of Connecticut?

MR. HUGHES: The last figure I saw was 1,256 or so.

REP. CHEESEMAN (37TH): And so, understanding that some people may have more than one permit, that equates to approximately how many individual ownerships, perhaps?

MR. HUGHES: You know, it's hard to say. I mean, Stew Leonard's has about three or four. Wal-Mart has package stores, which they can buy right now, and they put them into some of their stores. They put them outside. BJ's has five. Costco has five.

REP. CHEESEMAN (37TH): Okay. So, we can know the total number, but not necessarily the total number
of individual owners. What's the average length of time someone runs a package store?

MR. HUGHES: Well, I have three generations in many package stores. I have a store in -- I have actually have one in East Lyme and his grandfather started it. His Grandfather Walenski (phonetic) started it. The son took it over. The grandson took it over and now the great-grandson -- great-granddaughter is now managing that package store. And that doesn't exist as much as it used to, but because the -- I call them the new immigrants. The ones you don't read about in crime statistics in the paper, our good members from India. Come in to this country and they are -- probably five or six-hundred of my stores are from India. And they've averaged -- and I talk to them all the time. They've been here ten years or twelve years and they buy a package store or a convenience store. They're very into that. So, that's the new generation I have coming in.

REP. CHEESEMAN (37TH): Okay. I'm just trying to -- did I ask what's the - oh, I asked about the average length of ownership. How often do permits change hands? I mean, over the course of a year, typically how many changes in permits do you see?

MR. HUGHES: I really don't know that. I mean, I'm surprised myself when I hear somebody sells out. Sometimes people who buy a store and you have to understand this. It's hard for me to understand it sometimes. But when I first came into the business with these people back in the 1970s, they worked all the store. There were no employees. There were no employees. They worked 75 hours a week. The new people coming in are now doing the same thing as the
people did back in the 1940s and '50s. They bought a job.

REP. CHEESEMAN (37TH): Right, right. So, again, typically, and I know you said many of the new people -- many people currently buying package stores will be working there those long hours. Do we have any idea of the average numbers of employees across the industry?

MR. HUGHES: I'd say the average is somewhere around, by package store, I know that. I know the total employment is around 6,000. And I'm counting in the breweries, the wineries, and the new players, okay.

REP. CHEESEMAN (37TH): So, in terms of -- but in terms of package stores.

MR. HUGHES: Package stores, they're probably on average -- there's some that have three and there's plenty that 30 to 40 employees, part-time mostly. So, I'm always thinking it's somewhere around 3,000.

REP. CHEESEMAN (37TH): Okay. Thank you. Thank you, Mr. Chair.

REP. D'AGOSTINO (91ST): Thank you, Representative. Other questions from committee members? Thank you, Carroll.

MR. HUGHES: Okay. Thank you very much.

REP. D'AGOSTINO (91ST): Representative Davis.

REP. DAVIS (57TH): If I wait about 30 seconds I'll say good afternoon. For the record, my name is Christopher Davis. I'm State Representative from the 57th District, proudly serving East Windsor and Ellington. And I'm joined by a constituent business
of mine in the Town of Ellington, Nordic Moon Meadery, who will be discussing a small section of House Bill 7184. A little bit of a change in topic from what you've heard earlier this morning, and it's dealing with the production of mead within the State of Connecticut, and the importance of changing some of the laws around that so that could have a more thriving industry here in Connecticut as a few small businesses have begun to pop up and we have the opportunity to enforce that and be able to help grow that industry here in Connecticut. So, I am testifying in support of section 8 of House Bill 7184, and I'd like to turn it over to the ownership team from Nordic Mead -- Nordic Moon Meadery.

MR. WEST: Hello. My name is Kevin West. I am a co-owner with Richard Gamnoe at Nordic Moon Meadery in Ellington, Connecticut. Just to quickly define what mead is, to familiarize you. It's fermented honey, so it is an alcoholic beverage. The alcohol level can vary anywhere from miniscule, say three, four percent, up to champagne levels, around 21, 22 percent alcohol. It represents a unique product in that it is fermented honey. It is not based on grapes or grains. And realistically, in Connecticut, the two licenses that are allowed to produce these products include wineries and distilleries, and I'm going to add in breweries as a unique version of mead. However, currently, we fall under a manufacturing permit and I'd like to explain why that is.

So, currently in the State of Connecticut, if a farm winery wanted to produce mead, it would be honey they produced off their farm, they really could not produce enough honey in order to make any quantify of mead as a wine-like product. So, distilleries
are allowed to also process honey as a fermented beverage, but they tend not to distill it, to actually run it through the distilling process, because honey is the number one most expensive fermented beverage so it's usually consumed as a wine-like product.

So, while a distillery can ship in the honey, they can ferment into a mead, they can sell it then by the bottle, which is where we are currently at. We are prevented from having a tasting room or an environment where people can come on site and sample mead. And the question that I answer on a very daily basis is what is mead? I've heard about it. I've heard it -- heard about it on Game of Thrones. I've heard about in Camelot. I've heard about it as a old -- most oldest fermented beverage. But they don’t' really understand what it is. And as I'm gonna further define mead just a little bit beyond just fermented honey, if we ferment it simply as honey it becomes a traditional mead. If we add fruits it's a mellow-mellow style mead. If we add species it's a metheglin style mead, so this might be like cinnamon and honey, just as an example, or ginger and honey. If we start adding cider then it's a cyser style mead. If we add grapes it's a pyment mead. And if we had grains, I mentioned this was for breweries, this is a braggot-based mead.

Now, all of these things are mead because they provide fermented honey. Because of our federal license as a winery, which is how the federal government would classify mead, we are able to produce the wine-like products and we do not produce braggot, which is the beer-based mead. So, that is a quick definition of where we're currently at. The problem in the State of Connecticut, because we are
currently classified under the manufacturing permit, same as a distillery permit for our production levels, it's not consistent with other states' definition of mead, where it normally would fall under their winery permit not their distillery permit. So, there's a little bit of confusion when we talk about interstate commerce and trying to conduct business from Connecticut outside of Connecticut. It's not consistent with the laws in other New England states, which provides out-of-state meaderies an unfair advantage to -- on a competition level.

A meadery cannot have this tasting room or tap room that I had mentioned. It's critical for any marketing scheme for any winery or brewery or cidery to be able to have a tasting room or a tap room-like atmosphere to demonstrate their product. And I believe that furthers the commerce throughout the state. Somebody comes in and tries my meads and then they're not gonna make a trip to me every time they want mead. They're for it in their local package stores or they're maybe thrilled to find it in a local restaurant that they could enjoy with a local meal.

Because the customer right now -- because of the current laws, because of the manufacturing permit, any person who's actually purchasing on site could not buy more than two 750 mL bottles or four 375s, a total volume of a liter and a half, if you will. So, when I have seven varieties of mead, if somebody says, wow, I would like to buy a bottle of each. They can't actually do that. I have to say sorry, you can't buy more than four. And right now, under the current laws, they cannot do tastings. So, I have a person show up at my facility, my production
facility, where we have built out a tasting room which is not functional, and they say I'd like to try some of your meads. And they are not actually able to try anything on site and I have to say I'm sorry, you cannot try these. You'll have to choose blindly and, you know, I'd like to tell you about mead.

REP. D'AGOSTINO (91ST): I think some of our questions -- I know we did have some questions about the permitting because we're trying to dive into that a little bit. I want to turn it over to Senator Witkos. I think you had a question about the permitting.

SENATOR WITKOS (8TH): Thank you, Mr. Chairman. If I walked into your facility now, what would the permit say on the wall?

MR. WEST: It would say manufacturer -- yep, manufactured liquor.

SENATOR WITKOS (8TH): A liquor manufacturer permit.

MR. WEST: Correct. Thank you.

SENATOR WITKOS (8TH): And so my goal, personally, is to have just three manufacturing permits for liquor in the State of Connecticut; one beer, one wine/cider and one spirits. If we were to include mead, which one of those pods would you like to be in?

MR. WEST: Currently, we find that the winery and brewery permits would both be acceptable. Under a winery, farm winery license, if we were to go in that direction, we would ask that we be allowed all of the liberties currently assessed to Connecticut wineries, meaning we could sell by the box.
SENATOR WITKOS (8TH): You would. That's a go. But I just want to know which one of those three pods that you'd like to be put into. So, you'd like to be in with the wine side.

MR. WEST: If we were able to -- if I was able to choose, I would actually choose the brewery permit. I feel that they actually provide the greatest breadth of allowing an atmosphere that I'd like to present, where I can present guest meads, guest wines, guest ciders and guest beers. I would like to be able to serve food, because food often is a great complement to mead and other alcohols and can help -- they can complement each other. We are not looking to have -- right now, we are not looking to have a restaurant. We are simply looking to provide cheeses, crackers and chocolates that would go well with mead. So, we would like the ability to serve those simple items. So, currently, I find that the brewery laws provide us the greatest breadth of liberties to operate a business in the way that I would like to see my business move forward.

SENATOR WITKOS (8TH): Thank you. Thank you, Mr. Chairman.

REP. D'AGOSTINO (91ST): And just a follow up. So, the actual bottling of your product, is it -- these are glass -- are they wine bottles? Are they cans? How do you bottle and sell your product if you were gonna sell it for off-site consumption?

MR. WEST: We are currently working in bottles as a corked wine product. However, we are looking to subcontract out to a local brewery for the production of braggots, which we cannot produce in house. And then those would be made in a -- either a beer bottle or a can. Cans seem to be a little
more economical at the moment. So, we might go with that route as we move into that type of a product.

REP. D'AGOSTINO (91ST): And you mentioned the honey supply. Is that something that you think is -- your need will be able to be met through the State of Connecticut's supply of honey or do you have to go outside of the state?

MR. WEST: We have to go outside of the state and it also opens up the use varietal types of honey. So, in Connecticut, Connecticut production is very limited. It is mostly on a hobby-level scale. There are a few commercial producers and they've got their outlets. We've talked to them. If they start to supply us, it pulls from their retail market, although they would love to have our business. Everything in Connecticut is classified as wild flower honey, which is highly variable from location to location. So, we are trying to put together a Connecticut batch of mead for 2019 and I'm very excited about that.

However, I want to be able to work with blueberry mead out of Maine. I want to be able to work with orange blossom honey, mesquite honey, tupelo honey. And these are being produced out of different areas of the country and that also provides me access to the quantity of honey that really lets me take this to a commercial level.

REP. D'AGOSTINO (91ST): Okay. Other questions?

REP. RUTIGLIANO (123RD): Thank you, Mr. Chairman. Just real quick. What was the proof on your product again? I heard you say it in the beginning, but.
MR. WEST: They can vary anywhere from as low as just negligible. It could be like a half a percent. It could two or three percent. What I -- I would say most meads are produced at around 12 percent, which is a normal wine.

REP. RUTIGLIANO (123RD): So, it sort of falls into the wine category? Well, actually wine's, what, 12 proof, not 12 percent, so.

MR. WEST: Oh, my apology. I hadn't realized I was calling -- talking about ABV, so, alcohol by volume.

REP. RUTIGLIANO (123RD): Right.

MR. WEST: Did you want me to give you that as a proof?


MR. WEST: Right. So, if it was a three percent ABV, then it would be a six proof.

REP. RUTIGLIANO (123RD): Six proof, right. So, you do fall more into the beer category or --

MR. WEST: I would -- it can vary. I'm actually -- I've been working with several meads over the course of this winter that do fall in six and a half percent. One of the reasons I'm doing that, honey being the most expensive fermentable, I'm trying to be conservative on the honey to bring down our price point, so.

REP. RUTIGLIANO (123RD): Right. So, if you fall under the traditional alcohol content of beer, why don't you just go -- can't you get a brew pub permit? Because what you were asking for before, through your testimony, was yet to have another business that's on all three tiers of this system.
You want to be a manufacturer. You want to sell it retail, right, through your place, and then you want to sell on-premise, meaning with a tap room or a bar. That's all three tiers of the three-tier system. That's the problem we're all having a discussion about today, is that how do we keep everything separate. I mean, there is a way around that. A traditional brew pub, which manufactures beer for on-premise consumption along with a restaurant, might be a way for you to go.

MR. WEST: I agree with that. I don't believe we are currently allowed under that brew pub permit.

REP. RUTIGLIANO (123RD): Okay. Thank you. Thank you, Mr. Chairman.

REP. D'AGOSTINO (91ST): Thank you. Ranking Member Cheeseman.

REP. CHEESEMAN (37TH): Thank you, Mr. Chair. Thank you for coming today. So, how much are you currently producing in terms of volume?

MR. WEST: Currently, we're producing about 4000 375 mL bottles. Which a normal wine bottle, just cut that in half. So, about 2,000 normal wine bottles. Our production has been hampered a little bit in that this past year as the person -- I am the maker of the mead and I have taken a significant amount of my time to build out this tasting room.

REP. CHEESEMAN (37TH): Which you can't use at the moment.

MR. WEST: Which that is currently --

REP. CHEESEMAN (37TH): So, from the minute you get the honey until -- to the finished product, what is
the length of time or does it vary according to the particular brew -- mead you're making?

MR. WEST: it does vary a little bit by the mead. If we're making it as a braggot it can be made very much in the same timeframe as a beer. If I'm making it as a wine-like product, the minimum timeframe is three months. Mead greatly improves over the course of a year, so I currently have a mead that I've been aging out for -- it's just over a year at this point, and we are looking forward to releasing that.

REP. CHEESEMAN (37TH): Okay. And your current hours that you're open?

MR. WEST: Right now we are open only by appointment due to the current laws not allowing the tasting. I've have customers show up and they immediately demonstrated that they were frustrated that they couldn't sample the products on site and that I was asking them to make a blind tasting. So, by doing things by appointment, I can explain things ahead of time that I'd be happy to give them a tour.

REP. CHEESEMAN (37TH): Right. Okay. And is it gluten-free?

MR. WEST: Sorry. Yes, it is -- as it's [Crosstalk].

REP. CHEESEMAN (37TH): I would've thought that would be a huge market for you these days.

MR. WEST: Yeah. The braggot form is not gluten free. But most other forms are.

REP. CHEESEMAN (37TH): All right, thank you. Thank you, Mr. Chair.
REP. D'AGOSTINO (91ST): Thank you. Other questions? Thank you very much. We're gonna be looking at this in detail. And Representative Davis, I hope we can use you as a conduit if we've got more questions and need some more information.

REP. DAVIS (57TH): Yes, I very much would like to do so. And I think with the discussion today, I think we can find a solution that will benefit the industry as a whole. Thank you very much.

REP. D'AGOSTINO (91ST): Thank you all for coming up. Thank you. Dwayne Kratt, Diageo. I almost expect the Darth Vader music to playing while you walk up, Dwayne.

MR. KRATT: I'm Dwayne Kratt. I'm senior director of Government Affairs for Diageo. I'm a resident of Connecticut and live in Milford. My role at Diageo is I'm the government affairs representative in the northeast and South Carolina. While I'm happy to offer any insights on anything that we're talking about today, I'm really narrowly focused on some language in 7184. Thank you for putting it in there and, quite frankly, it's language to not only help us with distribution, but also help reach others both on and off premise.

Taking a step back, what does the language do? The language will allow a wholesaler to sell a mixed case of spirits and do it in a way so that they would pay not the one-bottle price, but to pay the one-case price. This all came about last summer. We had a product, Ketel One botanicals, there were three flavors, to help drive distribution and it was an innovation product. We sought from DCP whether we could do this mixed case. And while we talked back and forth, there's some very specific language
in the case law that prevents that. So, this is a small tweak. It's a pro-consumer, pro-distribution and, quite frankly, pro-retailer tweak that we are very much in favor of.

It's permissive in nature. It is not gonna require, you know, folks to do it. And, quite frankly, it's something that will happen on a limited basis. Innovation, wholesaler and distributor -- I'm sorry. A supplier and a wholesaler will come to an agreement that they want to do something to help drive distribution on a particular brand or a particular flavor. This is, as I said, permissive language. It's language that actually will put us on par with wine. Wholesalers can already do this in wine in the state. And it will allow Connecticut to join basically every licensed state up and down the East Coast, where they do put together these mixed cases.

It doesn't touch min bottle. It doesn't impact quantity discount. It is a small piece that, like I said, I think will help drive distribution so that a retailer can try something and they don't have to buy the whole case of that particular product, and they also get that case discounted.

REP. D'AGOSTINO (91ST): Representative Rutigliano.

REP. RUTIGLIANO (123RD): Thank you, Mr. Chairman. Good afternoon, Dwayne, how are you? A question. Is there consensus on your definition of the size of a case? Would it be a 6, 12 or a 24 bottle?

MR. KRATT: So, it doesn't impact that whatsoever. And, in fact, when we tweaked the case law, the case definition a few years ago, one of the key things that our wholesale partners wanted to make sure is
no backdoor, 36-bottle case creation for a QD. So, it doesn’t touch that at all. So, as it relates to a 750, it'll still be 12 bottles.

REP. RUTIGLIANO (123RD): Can't you -- can you now, as a -- you're the manufacturer. Right? Can you send a case of mixed bottles to the distributor or the wholesaler now? Can you say we're doing a case that has two elder flowers two raspberries and two whatever? It's a -- or --

MR. KRATT: No.

REP. RUTIGLIANO (123RD): And just send it and give that a SKU and give that a price.

MR. KRATT: No.

REP. RUTIGLIANO (123RD): No. It all has to be the exact same product in the case.

MR. KRATT: So, if I -- yes. And by the way, because the wholesaler sells it to the retailer, that's why I saw wholesaler, there's nothing in this law that would prevent us -- nothing in this suggestion that would prevent us from creating that or the wholesaler creating it. In a practical matter, it would likely be more often that it would be the wholesaler that would create that. But again, that's something that would occur in conversation between the supplier and the wholesaler. The wholesaler may say, hey, this is gonna cost me a little extra money or something like that. There's ways the supplier and a wholesaler can work that out.

REP. RUTIGLIANO (123RD): So, you're saying it's up to the wholesaler to create the case essentially? You know, we're gonna do 12 bottles. It's gonna be
three of these two of these. They just sort of get to do whatever they like?

MR. KRATT: Well, in wine, that's what they can do right now. So, again, it would first be the supplier and then a wholesaler who has access to that brand, and, quite frankly, there was -- I shouldn't say quite frankly. There was some discussion about tweaking it. We got feedback from the Wine and Spirits Wholesalers Association. There are some wholesalers that have exclusives and some that have -- they're dualed and tripled. So we accommodated that. And really getting into the weeds, but we accommodated that because what we don't want to create is a dualed or tripled situation in a wholesaler that would have a disadvantage on that.

REP. RUTIGLIANO (123RD): So, the wholesaler would create the case. Would they post that in the bev journal as a separate item that week or that month or whatever? The bev journal's a month, right?

MR. KRATT: Correct. Yes. And the sum total of that case would equal -- see everyone thinks math wasn't important. The sum total of that case would equal the individual bottle case as it was a whole case.

REP. RUTIGLIANO (123RD): I understand. And how do the wholesalers feel about this? Have you had any discussions with them at all?

MR. KRATT: So, we worked with our biggest wholesaler. We've worked with Brescome and they're fine with this. We've had conversations with the Connecticut Wine and Spirits Association. I'm not -- I'll let Larry speak for them, but as I said,
we've had conversations and we did accommodate, mend our initial proposal to address one of their very legitimate concerns. I can also tell you that we've gotten positive feedback from Carroll and his group. And we've, quite frankly, gotten positive feedback from not only some small retailers, but also some very large retailers that think this is a, "duh," yeah, you should be able to do this.

REP. RUTIGLIANO (123RD): So, I appreciate you answering my questions. I don't want to get too far off topic. But Diageo has been a great Connecticut company in Norwalk. We were disturbed to hear that --

MR. KRATT: We're still gonna be in the state too.

REP. RUTIGLIANO (123RD): I was hoping to ask you how many jobs were actually leaving Connecticut and how many were leaving in Norwalk.

MR. KRATT: Well, I don't -- I'm not -- I don't know the final, final numbers. But what I can tell you is we're still gonna be here. Whether we're in Norwalk or another place in Fairfield County, that I honestly just don't know. But we're gonna keep our presence here and you're stuck with me still in Milford for the time being.

REP. RUTIGLIANO (123RD): I appreciate it. Thank you, Mr. Chairman. Senator Witkos.

SENATOR WITKOS (8TH): Thank you. So, just to clarify, currently, a wholesaler must purchase in full-case quantities from a supplier. Correct? Of a single item.

MR. KRATT: To my knowledge that's correct.
SENATOR WITKOS (8TH): And the retailer can purchase single bottles if he or she so chooses from the distributor.

MR. KRATT: Correct, but what they would have to pay is in a higher price single bottle.

SENATOR WITKOS (8TH): Because they're not getting the case price.

MR. KRATT: Correct.

SENATOR WITKOS (8TH): And so what you're asking is, on the suppliers' side, just create whatever it is you want. You could have a summertime fun pack; I'll call it, and have all these different

REP. D'AGOSTINO (91ST): Maybe we should get you to marketing.

SENATOR WITKOS (8TH): Yeah. (laughs) With the weather, I'm thinking of the summer already. But you're creating a package that is sold to a wholesaler, who in turn can sell that to a retailer at that reduced price because it still remains in the whole package, so there's not a single bottle markup.

MR. KRATT: It -- yes. So, I mean, again, when I went back to those flavors. When you do innovation, and I honestly I see that's where this would occur more than not, you have a new product. You have many small package stores and, quite frankly, on-premise accounts that don't have, you know, the back room. We would like them to try all those flavors. There's a cost. You've got to buy that whole case. So, this is a way to help us drive distribution, but also, quite frankly, help, perhaps, that retailer say, okay, I'll try these two other flavors. Two
right now because I don't have to buy the whole case.

SENATOR WITKOS (8TH): And is that just for the spirits' industry or is that across the board for wine and beer? Or it's just for spirits?

MR. KRATT: So, wine currently -- there's currently regulations on the book that allow wholesalers to do that mixed case for wine. There's not -- I can't do it for spirits. And, absolutely, beer will do variety packs. Now, those are because of the way beer is manufactured and there are systems in place. They, you know, prepack it. You'll see all sorts of brewers do that. So, yes.

SENATOR WITKOS (8TH): Thank you. Thank you, Mr. Chairman.

REP. D'AGOSTINO (91ST): Representative Allie-Brennan.

REP. ALLIE-BRENNA (2ND): Thank you, Mr. Chair. Thank you for being here. I just wanted to clarify. So, you're basically just giving the wholesalers the option of pick this. They're not being forced into choosing this selection. That you're giving them the option should they feel that this is something that their customers would be interested in and they can choose this product.

MR. KRATT: Correct. And again, you know, whether it's an exclusive relationship on some brands, where we have exclusives, or some places where we have two or three. We'll work with our partner who -- and we'll say, look, we think this is gonna be a big hit this summer. A way to drive distribution would be to help create this. We acknowledge that there's
potentially costs associated with it and there's ways that partners can work that through. There's o leverage or punishment or anything like that. They have the brand and they're not gonna lose that brand.

REP. ALLIE-BRENNAN (2ND): Thank you. Thank you, Mr. Chair.

REP. D'AGOSTINO (91ST): Thank you. Representative Altobello.

REP. ALTOBELLO (82ND): Thank you. Good afternoon. Just to clarify in the mixed case. Your example shows four, four and four on the 750 milliliter?

MR. KRATT: Yes, because it's -- there's 12 bottles in 750.

REP. ALTOBELLO (82ND): And someone asked you if it would have to be posted and I believe you said yes.

MR. KRATT: Yes.

REP. ALTOBELLO (82ND): So, at this point, then, if I were a store or on-premise or whatever, I couldn't buy a four, six, two or?

MR. KRATT: What -- the total number of bottles in that case will remain with the existing law. So, if it's a 750, it's gonna be 12 bottles.

REP. ALTOBELLO (82ND): But does it have to be four/four/four?

MR. KRATT: No.

REP. ALTOBELLO (82ND): Okay. So, you'd like some flexibility to offer different -- for instance, I think the grapefruit and rose is gonna sell better
than the others. So, I get eight of those and two and two.

MR. KRATT: I think what would happen is that the supplier and the wholesaler would figure out what made the most sense and then make that offer and post it. But I don't necessarily -- and again, you're gonna get into an area where that's outside of my lane. But I doubt you see something where it's one and then just this one and this one. But the law -- the language isn't gonna say it's got to be 12 divisible by some number, per se. Again, it's for an innovation or trying to drive distribution on, you know, a particular. You know, maybe a supplier has a cadre of Irish whiskies and wants to drive distribution on Irish whiskies during St. Patty's Day.

REP. ALTOBELLO (82ND): Very timely.

MR. KRATT: Right.

REP. ALTOBELLO (82ND): So, size-wise, everything from 200 milliliter to 1.75s or?

MR. KRATT: The language doesn't preclude that, but I suspect it'll probably be more 750 because that's the general size that you'll see in a package store.

REP. ALTOBELLO (82ND): Great. Thank you very much, sir. Thank you, Mr. Chairman.

REP. D'AGOSTINO (91ST): Thank you. Other questions? Thank you, Dwayne.

MR. KRATT: Oh, I got off easier than the other stuff.

REP. D'AGOSTINO (91ST): Well, you were wisely quiet on everything else. I don't think I see
Representative Zupkus, unless she's buried in the back there. But if she comes, we will entertain her testimony. And I'll just to Senator Formica.

SENATOR FORMICA (20TH): Thank you, Mr. Chairman. Good afternoon. Senator Witkos, Ranking Member Cheeseman, members of the committee, I am here to talk a little bit about as to the streamlining of your liquor control act in ways that may be appropriate to the committee. And I have Indira Bayer who is here with me and I will yield my time to her, with your permission Mr. Chairman, who would like to share her particular story starting a wholesale wine distributorship in Connecticut and some of the difficulties that she has moving forward. And I thought it may be appropriate for you to consider as you're putting this broader bill together, if there are some easy fixes or not, for you consideration. So, Indira.

MRS. BAYER: Thank you. Thank you, Senator. Thank you for having me speak here. My name is Indira Bayer. I am a first-generation immigrant from Bosnia and Herzegovina. I came to this country three years ago, spoke no English whatsoever. And I am so proud to be able to speak to you today. Hopefully, we'll be able to pass the -- make you understand the difficulties I had in starting a small wholesale import and wholesale business wine in Connecticut.

I have worked with my husband for the -- 13 years for the State Department Foreign Service back in Europe and ended up in Bosnia and Herzegovina at the American Embassy. And after that, when my husband was assigned to Afghanistan, I decided to quit my job and start importing Bosnian and Croatian wines
to the States. So, two and half year ago I established a small business in New Jersey. And the goal now was to -- actually, we decided to move to Connecticut because our son works for EB and our younger son was starting at UConn. So, it was a nature progression to move my business to Connecticut.

So, the first step was to establish a business, which I did. The second step was to apply for a federal importer's license, which was very easy. I got that. And the next step was to apply for a wholesale liquor license. That's where I got into all kinds of roadblocks; that my first feeling was to really maybe abandon the whole process and sell the house that we bought in Connecticut and move back to New Jersey. But I don't think the -- I wanted to actually speak to you and see if there is ways to eliminate these difficulties that I face.

First of all, the fact that the liquor control -- liquor law currently -- the premise location for the wholesale business is tied actually to the warehousing of the product. That is -- I believe the liquor license should be registered and approved at the location where the business is actually registered with the state, not necessarily at somebody's warehouse where actually that's the service that the wholesaler -- small wholesale business actually will use later. Once the business is established, the license is approved; the next step would be find a warehouse and location to rent. Currently, the ways things are that's not possible. So, I had to shop for the warehouse prior to applying for the license.
REP. D'AGOSTINO (91ST): You had to actually show you were in business before we would let you be in business, it sounds like what you're saying. (Laughs)

MRS. BAYER: Correct. Or if I am -- I'm currently moving my -- the warehousing services that I use in New Jersey to another warehouse that's cheaper. It will simply update the system, New Jersey system, with the new address where the wine is stored and that's it. Here in Connecticut, it was -- it's a little, I think, backwards. I didn't understand why. I'm sure there was a reason for that. But I believe, really, it wouldn't hurt anything or anybody if we would change that so the address of the premise of the liquor license is the actual address of the business registered with the state, which currently is at my home. A wholesale business can totally be run from a laptop or a computer in one office if there was no disconnection to having your business actually licensed and registered at the warehouse.

I'm not really sure if this is the place to talk about fees, but I was -- I did -- in my testimony that I emailed to you, I did list the comparison of fees in New Jersey for exactly the same business versus Connecticut's, and believe that really would be better for Connecticut treasury to have less fees up front and charge higher taxes and revenues, alcohol beverage tax later when there is actually revenues coming in. It would be a much healthier stream of income. The way it is right now the fees are, some of them, three times as high as in New Jersey or even more. For example, to register one label in New Jersey is $23 dollars per year. It is $200 dollars in Connecticut for two years. So, it's
significantly higher, which piles up all these fees up front for a small -- a true startup needs to start lean and not have as many expenses in order to start making money.

REP. D'AGOSTINO (91ST): Could you get any help from the Connecticut Wine and Spirit Wholesalers Association when you were trying to set up?

MS. BAYER: No. And I should've reached out to them.

REP. D'AGOSTINO (91ST): So, I'm not so sure, but we'll hear from Mr. Cafero next. And with respect to the product that you offer, you have -- you presumably have a relationship with the manufacturer?

MRS. BAYER: So, I decided to import native varieties of Bosnian and Croatia, and I created my own label to tell the story about thousands of year's long history of wine making there. And nobody was doing that before. So, I decided to give back to my country and put Bosnia and Croatia on the map actually of wine-producing countries. So, that was the goal. So, the product is really unusual. And why I decided to start my own business here. I have tried for almost two years to talk to wholesalers in Connecticut to add my brand and represent me. That would -- it would be much easier for me. But the wholesalers do want somebody that already has 200 accounts and then to take over a brand that's already established. So, I simply have to get my own license and go from package store to package store and retail license holders and promote my brand and try to sell it.
REP. D'AGOSTINO (91ST): Did the Liquor Control Commission and DCP; were they responsive to you in a timely manner? Did you get answers?

MRS. BAYER: Absolutely. Very helpful through the whole process. But they have to follow the procedure that's in place, which really, yes, it didn't work. Another requirement I would like to bring up to you, please, is the requirement to store wine overnight in Connecticut before it's delivered to retail license holders. That really just gives companies that do trucking and warehousing in Connecticut to gouge small startups. I don't -- I didn't find -- I don't understand the reason behind that one-night bump in Connecticut.

Another thing, to continue on the actually the tie of liquor permits to an address at the warehouse is there is the same process currently for applying for retail license to sell liquor in Connecticut and the wholesale license. The placard that's required, the big four-feet x six-feet that you would have to put at your premises, if these two are separated, the addresses, then there wouldn't be a reason to have a placard in my yard place, announcing to all the neighbors that I am opening a liquor -- getting a liquor license in my home. When I did place that placard, the neighbors complained because they thought I was gonna open a warehouse in a very quiet neighborhood in Waterford.

REP. D'AGOSTINO (91ST): Questions from the committee? I think we've got your written testimony. I mean, we certainly wanted to hear this and hear about the sort of significant barriers to entry that there are on that tier. I think it's very helpful for the committee to hear. It's the
first time I've actually heard somebody's experience trying to break in. It's actually very useful to hear. So, I want to thank you and thank Senator Formica for bringing you to our attention and having your testimony before us.

SENATOR FORMICA (20TH): Thank you very much for your generosity, Mr. Chairman. I appreciate your time and the committee's time. And I would just like to close with regard to the broader discussion happening on three-tier. I would personally support the positions of the Connecticut restaurants and package store and the Wine and Spirits Association. So, I leave that for the record. Thank you very much.

REP. D'AGOSTINO (91ST): That's probably a good transition to Mr. Cafero.

MRS. BAYER: Thank you

MR. CAFERO: Good afternoon, honorable Chairman, Ranking Members, and distinguished members of the committee. For the record, my name is Larry Cafero. I'm the executive director and general counsel of the Wine and Spirits Wholesalers of Connecticut. I'm here to speak on various aspects of the bills that are being heard today. I know with the three-minute time limit I probably won't get out all I'd like to say in --

REP. D'AGOSTINO (91ST): I wouldn't worry about it.

MR. CAFERO: -- in my opening, but would love to entertain questions. So, thank you. Mr. Chairman, I want to thank you specifically for your opening comments. I think what you were trying to do, and hopefully did, was allay the fears of many of the
people that were here about what this committee hopes to do and what it does not want to do. And that's very important. You saw -- many of you saw today hundreds, literally hundreds of men and women, small business owners, typically small family-owned business owners, that were here, yes, I guess you could say for self-serving interests. But they were here because they were scared.

You see, many of these many of these businesses have been around for quite some time. They remember a day two decades ago where there were 2,400 small, family-owned package stores, and now there are about half that. And they see that ever increasing laws that are changing, in their mind, to make it more and more difficult for them to do business and to stay in business. And for that, they're scared. Yes, there was some feeling that maybe the min bottle battle that has waged in this committee and in this legislature for eight years going now was being resurrected. Not in a direct way, as Chairman D'Agostino indicated, and maybe unintentionally, but in an indirect way by virtue of some of the provisions that were put forth.

Chairman D'Agostino indicated that certainly with regard to the wholesaler tier and the three-tier system, it was not, and I believe him and take him at his word. It is not this committee's intention or his intention to eliminate the wholesaler tier. However one of the bills I'd like to speak on, 7183, which significant changes what we call our franchise law in the State of Connecticut could maybe unintended -- have unintended consequences of doing exactly that, of eliminating the family-owned wholesaler that we are so fortunate to have for generations in this state; that other states,
unfortunately, are not because they've given way to some of the national, nationwide, large wholesaler.

And what I mean by that is in 7183 we remove the just and sufficient cause language. It means that - well, I guess you need to understand how the franchise law, when it comes to wine and spirits, which, by the way, is different than beer, which I will leave the representatives of beer to talk about. See, I knew I would run out of time.

REP. D'AGOSTINO (91ST): I think it's important.

MR. CAFERO: Thank you. If I could give a little background, the way it works.

REP. D'AGOSTINO (91ST): And let me --

MR. CAFERO: The way the franchise laws work in the wine and spirits world here in Connecticut. Is there are no territories. A supplier gets to a point by virtue of a letter to the Department of Liquor Control, a wholesaler to their product. That wholesaler has that product in perpetuity to sell and market in conjunction with the supplier, unless the supplier wants to remove that wholesaler for just and sufficient cause. They're not doing what they -- the expectation they had with the supplier to do. However, what we do allow in Connecticut is that supplier to appoint yet another wholesaler and another wholesaler if they so choose. I give an example in my testimony that the alcoholic beverage of Jameson's Irish Whiskey is distributed by five wholesalers. It gives that flexibility not only to the supplier, but also to the retailer, who has a choice to purchase, in my example, Jameson, from one of five wholesalers.
Now, I know that that has been called a unusual protection or a antiquated system, but let me explain. There are only three systems that exist. The 50 states fall into almost equally three categories. It's either a controlled state, and that's a state, when you say a controlled state, that the state runs its own liquor stores and/or wine stores and also does it own distributing. Obviously, we do not have that. There is an open state, which does not have a franchise law, that leaves the relationship between a supplier and a wholesaler up for contract. So, they individually privately contract to work with each other. I would submit to you that those contracts industry-wide are typically five years in length. They are typically exclusive, meaning that that supplier can't just get another wholesaler to help them market their product because they are contractually bound by that contract. Not only that, most of these contracts do have, ironically, the very clause that we're trying to get rid of in our law - just and sufficient cause for the removal of that wholesaler.

So, with the knowledge of that, being the other two systems, the franchise law states of which there are approximately 15, and in particular states like Connecticut, New Jersey and Massachusetts, have the most flexible and fairest and simplest law, because you simply have to say I want to appoint wholesaler "A" to sell my product and wholesaler "B" and wholesaler "C" if I care to. And therefore, I would argue it provides more choice, not only for the supplier, especially those small suppliers that are growing every day, as witnessed by the testimony that was here, those small suppliers like the craft breweries and the craft distilleries and the craft
wineries that we have out there. And it gives more options and choice to our retailers so they could do business with others.

If we are to eliminate this just cause, we will go the way of several other states that do not have a franchise law. And I encourage you to do your research. You will find that they have two wholesalers typically, maybe three. They are national wholesalers. They do business with that particular supplier all over the country. And, quite frankly, with due respect to our wonderful state, the State of Connecticut and its small population, which represents one percent of the population of this country, is a blip on the screen and could be used as pawn to trade for this, that or the other thing that might be happening in California or Michigan or Texas, and we become the casualty of that. You see, a wholesaler doesn't just put product on their truck and deliver it from point A to point B. A wholesaler works with the supplier, as you've heard today, in strategizing and marketing a particular product to a marketplace. They do so by investing hundreds of thousands of dollars in equipment, in marketing, in personnel, etcetera. For a supplier to be able to have that wholesaler invest that kind of money and then on whim, without just cause, take that business away, could be devastating.

And sometimes in a state with no franchise laws, when those large relationships between large, nationwide wholesales and nationwide suppliers are going on, sometimes that is the collateral damage. And that's we oppose the bill.

REP. D'AGOSTINO (91ST): Let me just --
MR. CAFERO: Sure.

REP. D'AGOSTINO (91ST): Just let me unpack some of what you've just testified with respect to. So, we -- as you noted, we're not wholesale revoking 30-17, right? We're not removing the wholesale tier by virtue of this bill. I understand what you're saying about the impact and I want to test that with you. But all the other requirements we impose upon manufacturers are still -- would still be intact. They can -- they have - an out-of-state manufacturer has to get a permit. They've got to register the brands with the wholesale distributors. They've got to list the prices. They've got to do all the things on the manufacturer side that they still have to do, vis-à-vis the wholesalers, and use the wholesalers to distribute their product in Connecticut.

So, what we're talking about here is this one clause in the statute that says if I want to make a change, I've been with my wholesaler for awhile. They've done something I don't like. I want to get rid of them. We prevent that in the State of Connecticut. We prevent the two private parties from terminating or dealing with their relationship however they want to and we've imposed a gloss upon by a statute. I just want to make sure everybody understands this on the committee and the public that's listening. We've imposed, by statute, a requirement that says, no, craft beer manufacturer; you can't terminate your distributor except without just and sufficient cause. And if the wholesaler disagrees with that, the wholesaler is entitled to a hearing at DCP, and DCP gets to rule on that. You can bring that appeal. And this requirement for just and
sufficient cause triggers after six months of a relationship. Is that correct, Mr. Cafero?

MR. CAFERO: That's correct.

REP. D'AGOSTINO (91ST): So, I've signed a contract with you. Six months later, I can't terminate you except for just and sufficient cause. Right?

MR. CAFERO: That is correct.

REP. D'AGOSTINO (91ST): Now, that used to be 24 months. Correct?

MR. CAFERO: That I don't know. That was before my time, but I'll take your word for it.

REP. D'AGOSTINO (91ST): When we passed the law in '71 it was 24 months. It changed in '81 to six months. Do you know why?

MR. CAFERO: No.

REP. D'AGOSTINO (91ST): There was a case that was brought because some of the distributors were unhappy that they were being terminated from distributing, I think, some Latrobe -- it was Latrobe beer. Maybe somebody who's got some histories here can talk about that. And there was a legislative reaction to that in '81, where we changed it from 24 to six months.

MR. CAFERO: Okay, just for understanding's sake, Mr. Chairman. Are we talking about beer or wine and spirits?

REP. D'AGOSTINO (91ST): So, I appreciate that there's a difference. That particular dispute was between a beer wholesaler, but the net effect,
legislatively, was the entire statutory scheme. And this scheme that we're talking about, the just and sufficient cause requirement and a DCP hearing, applies to all wholesalers whether it's wine and spirit or beer.

MR. CAFERO: True. But with regard to that example, for instance, Mr. Chairman, let's assume the supplier was disgruntled with their wholesaler. You're correct in saying, based on the laws as we have them, unless there is just and sufficient cause, that supplier cannot take that brand away from the wholesaler. But it doesn't leave them isolated and with no options. That wholesaler in the wine and spirits world --

REP. D'AGOSTINO (91ST): In your field, yeah.

MR. CAFERO: Well, that's all I can --

REP. D'AGOSTINO (91ST): Yeah, fair enough. Yep.

MR. CAFERO: In the wine and spirits world, could give that brand to wholesaler "two," wholesaler "three," wholesaler "four," wholesaler "five," whomever they want. And by the way, let's assume there are other iterations of that brand. For instance, Smirnoff has 40 flavors. So, I gave wholesaler "A" the original flavor, but now I have an issue with wholesaler "A", so I've now dualed or multied that, meaning I gave another wholesaler Smirnoff original, and now the new flavors come out. I'm not giving it to wholesaler "A" because I don't like to do business with them. I'm gonna give those flavors to wholesaler "B" and "C" and "D", etcetera. So, there is choice with regard to that.
REP. D'AGOSTINO (91ST): There is choice. Choice in the sense you've just described, yet there's no choice for that one. I don't like that wholesaler where I can't just get rid of them. That is the fundamental bar we've codified.

MR. CAFERO: But certainly, Mr. Chairman, you're not suggesting that in states that do not have our law that can take place, because it's ruled by contract. And as an attorney, I'm sure you could appreciate that there isn't a contract in the world that would let one side just drop them willy-nilly.

REP. D'AGOSTINO (91ST): Exactly. And that's sort of my point, is that there is a private marketplace solution to this. What I'm trying to get at here is why we need the State of Connecticut to weigh in on that relationship when, exactly as you just pointed out, there's a private marketplace solution for that. And in addition, and as an attorney I think you know this as well, not only do you have the privately contracted negotiations where you could include that requirement in your negotiations, but there's anti-trust law, right? I mean, the situation you described, which I agree would be problematic, of a wholesaler, a national wholesaler tying one product sale in California to business in Connecticut, is actually an anti-trust violation. There's tying laws that prescribe that in the State of Connecticut that are enforced by our AG. That our Connecticut Anti-Trust Act and the federal Anti-Trust Act would prescribe as well.

In addition to private contract and statutory prescriptions, the other thing I wanted to ask you is, I mean, isn't it also true that any, again, in the situation you posited, where a national
wholesaler wants to come in, that national wholesaler has to jump through a number of hoops and be approved by DCP. Right?

MR. CAFERO: No question.

REP. D'AGOSTINO (91ST): And we just heard this woman testify, obviously, she's on a much smaller scale, about the significant regulatory hurdles that exist for a wholesaler to come into the state and potentially steal business away from your clients.

MR. CAFERO: Well, I would submit to you, Mr. Chairman, it would -- under the scenario created if this legislation were to pass, it wouldn't be stealing. And what you'll see happen in many states that do not have franchise laws is that the business is simply given, for a whole host of reasons, to the national wholesalers. And frankly, we have two national wholesalers, or about to be two. Number two and three are merging to make the second largest, are in, I think, 47 states if I'm not mistaken. And you'll notice that in the non-franchise states, there are two, maybe three wholesalers in the whole state and those are with the same federal anti-trust laws that exist for everybody. They don't violate those laws. But it's a fact of life and commerce as to what has been happening with the massive consolidation on a national level in the wholesaler world and the relationships between suppliers and wholesalers.

REP. D'AGOSTINO (91ST): So, a little bit of apples and oranges there. I'm glad you brought that topic up. I want to just sort of put a bow on the prior point, which is if there's a specific concern with respect to a tying of a product, a typing of a business in one state versus another, I feel like
there are several levels of protection for our Connecticut wholesalers that exist both, again, with respect to private contracts, but certainly legally and certainly on a regulatory basis, both, again, with our anti-trust laws and of course DCP's approval.

Now, you just mentioned sort of the separate issue of, well, if you let this happen, maybe they don't do it illegally, but they want to shift to a different wholesaler for whatever reason. And that's kind of what I'm getting at with this. And just to sort of play the context of the discussion. When we talk about another wholesaler coming into the State of Connecticut, if they choose to do that, it's sort of been painted as this, oh, it's this amorphous, it's this national evil empire kind of deal. In order to operate as a wholesaler in the State of Connecticut, you have -- as we just heard. You have to have your premises here. You have to have facilities here, right. You need to hire people here to distribute. You need to do all those things in the State of Connecticut. Right?

MR. CAFERO: Right. What's -- oh, go ahead.

REP. D'AGOSTINO (91ST): And -- well, go ahead.

MR. CAFERO: Well, what typically happens, again, nationwide, is if the scenario I painted were to actually happen. A large national firm will buy one of those small, family-owned firms that has just lost their brand to that very company. They would assume maybe their physical plant, their warehouse. That checks that box off. They probably keep their drivers. That checks that box off. But their marketing team, their accounting team, their back office team, would all be nationally located,
centrally located nationally. And that is the experience that several states have undergone with regard to the consolidation. And I'm not saying -- there's nothing illegal about. It's just a fact of life. That that's what they've undergone with regard to the national consolidation movement that has taken place over the last several yeas.

And a lot of people, a lot of family businesses -- I mean, I have four businesses in my organization that have been here since literally the end of prohibition. My organization represents seven wholesalers. They employ over 1,700 people. They have deep roots in the community. Yeah, I guess you guys hear that from everybody, but it's the truth. You saw a lot of them here today. They're scared as hell that their job or their business is gonna go away. It's real stuff. I know you appreciate it. I know you all do and I know you have --

REP. D'AGOSTINO (91ST): The consolidation issue you're addressing, though, there's nothing -- the just and sufficient cause is sort of a separate issue from that. In other words, there's nothing that prevents somebody from buying a Connecticut wholesaler right now, subject to regulatory approvals, etcetera, in the State of Connecticut.

MR. CAFERO: Mr. Chairman, the family-owned wholesalers that I'm talking about are one or two major brands away from being nonexistent. What do I mean by that? If a supplier had the ability to willy-nilly say, you know what, I'm pulling my brand from you. Sorry, love you, but I have to give it to the national guy because I do a lot of business with them nationally. He does that once, maybe twice, they're out of business. They're gone.
REP. D'AGOSTINO (91ST): But again, what I'm getting at, is that specific scenario you're worried about, I think we can address. Well, I think it is addressed with the current scheme, but I think we can address specifically, if that's what you're talking about, about it being pulled for a national chain for an improper or even a marginally improper tie-in arrangement. The just and sufficient cause solution to your problem, in my mind, is over broad. If I sprained my wrist, I put a sling on my wrist. I don't cut off my arm.

The just and sufficient cause prohibition on determining a distributor, maybe it addresses the problem that you have, but it also makes it impossible for a small; these manufacturers that didn't exist 20, 30, 40 years ago, to terminate after six months a distributor who may not be doing as good a job as your clients are doing, who doesn't like them, or they want to go with somebody with a different level of scale. What I'm saying is why can't the private market regulate that. And if we've got a specific concern about tying arrangements with national companies, we can deal with that separately. I think the current scheme does prevent that, but we can certainly address that concern separately.

MR. CAFERO: But, Mr. Chairman, I think you're conflating the wine and spirits effect on the current statute with what maybe, and I'm not an expert, and the beer effect.

REP. D'AGOSTINO (91ST): Fair enough. We'll get to beer.

MR. CAFERO: But you did say these small manufacturers. I presume --
REP. D'AGOSTINO (91ST): Well, you've got the liquor, the small liquor distributors.

MR. CAFERO: Right, but they could pick any -- if they're unhappy with the supplier they might have initially used, then --

REP. D'AGOSTINO (91ST): Yeah, they can use somebody else, but they gotta stay with you. They can't -- they sign up with "A" and six months later they want to go with "B". They've got to use "B" and now there gonna still be stuck with "A"?

MR. CAFERO: But that's not a cost. That means they now have doubled the marketing capacity that they once had. It's not like a --

REP. D'AGOSTINO (91ST): Well, it presumes that they have the product to meet that demand. But if they don't, if there's just simply some business reason for wanting to terminate that relationship, they can't do it but for just and sufficient cause, a public hearing, and then presumably a lawsuit too. I mean, you've got standing under CUTPA as well to bring a suit.

MR. CAFERO: I guess two things and we could, you know, agree to disagree or we could -- I'll answer any questions you have. Number one is, I guess, I'm wondering, and again, I'm only talking about wine and spirits, what is the problem we're trying to solve? With the flexibility and the ease of operation, with regard, again, to wine and spirits -- I'm sticking into the world I know. What's the problem? Is there a problem? I don't see it. Yes, I think there's little things, Mr. Chairman, we
could find, but just as you said, we would have to do a lot of tinkering if we had it other way. And also, what's to think that if we got rid of this and we left it up to private contract isn't it safe to assume that that private contract would include a just and sufficient cause? I kind of think so.

REP. D'AGOSTINO (91ST): That's fine. Let -- from my perspective, let people agree to that rather than imposing it.

MR. CAFERO: But for those little guys who now have to hire an attorney to engage --

REP. D'AGOSTINO (91ST): Well, see, but that's an important point you just mentioned. Right?

MR. CAFERO: Well, they -- yeah.

REP. D'AGOSTINO (91ST): Because there's a significant difference in bargaining power isn't there? It's one thing to say your guys are negotiating with Diageo, and two, you know, sophisticated entities to be able to do that. It's quite another for Hartford Distributor -- not -- the Hartford liquor company that we heard from earlier today to be able to demand contract terms from its wholesalers. It probably doesn't have the same bargaining power that obviously a Diageo does.

MR. CAFERO: Well, yeah, but he could -- but they sure as heck aren't gonna have it if they do that privately either. And privately, they gotta hire an attorney. Given the current law, all they have to do is send a letter saying Department of Consumer Protection, I appoint wholesaler "A" to be my distributor.
REP. D'AGOSTINO (91ST): But they can't say I -- but I'm not -- I'm terminating "A". And if I do that, then I got a lawsuit, I got a hearing, etcetera.

MR. CAFERO: That is correct. That is correct.

REP. D'AGOSTINO (91ST): One final just set of questions and then I'll turn it over to the rest of the committee. And I appreciate -- by the way, I meant what I said at the beginning. You provided a bunch of information early on. Except for Hartford Distributors, the beer folks didn't bother to respond to my request. I think that's telling and I've got some questions for them, obviously. I appreciate that there's some nuances between the wine and spirits and the beer. I do want to ask you with respect to your members. We've talked a lot about Connecticut owned. Are they all Connecticut incorporated companies?

MR. CAFERO: I believe they are, but I could be wrong with that. I know -- I'm picking my --

REP. D'AGOSTINO (91ST): I think you've got one or two that are not.

MR. CAFERO: Opici and Winebow.

REP. D'AGOSTINO (91ST): Yeah, Opici.

MR. CAFERO: Yeah, Opici and Winebow. Those are smaller companies with regard to their market share.

REP. D'AGOSTINO (91ST): Yeah.

MR. CAFERO: And so, they are national companies.

REP. D'AGOSTINO (91ST): And that again, just sort of my point then. And on the beer level there's a few others on a more national scale and I'll get to
that. But again, my point about Connecticut businesses and keeping everything in the state, we've already seen that there's a bit of a spread of this business throughout. It's not just Connecticut. But I understand everything you've said and I do want to thank you again for providing very important background information that I think the committee needed with respect to the territories and I'm glad you circulated that to the rest of them. I just want to open it up to other questions.

MR. CAFERO: Mr. Chairman, if I just may, and I say this for, I guess, no other reason. I don't know the goings on between your requests to the beer wholesalers. I do know that though we do have separate lanes, if you will, with regard to our thing, they have many of the same issues as a wholesaler as we do and we are simpatico with regard to the kind of things and the challenges any wholesaler might have in this arena. So, I just wanted to say that.

REP. RUTIGLIANO (123RD): Thank you, Mr. Chairman. And I -- Hi, Larry. I really do appreciate the conversation. I thought it was really good. The line of questioning, I appreciate. I did have one maybe small point of contention on your -- what you two were talking about. I don't know how hard it is to actually set up a distributor here in Connecticut. It seems like all the distillers and the brewers are self-distributing. Is it really more of a -- it's less of an anti-competitive thing; where you're trying to protect yourselves, and then it's more of a we need to collect our taxes thing.

MR. CAFERO: Well, that's a very good point, Representative. First of all, if it's so hard,
there's over 200 distributors of varying sizes in this state, so, as you said, many of them are craft breweries, etcetera.

REP. RUTIGLIANO (123RD): Right.

MR. CAFERO: But the reason -- the woman who spoke before, and by the way, I applaud, first of all, her as a person and her business, I think it's really neat, and I think the state should do all it can to encourage her business and others. That being said, with regard to particularly what she spoke about, there's a reason for that. There is a reason that we require that alcohol that comes into this state make a stop at a warehouse. Be taken off a truck at a warehouse. And it's a couple of reasons.

One is we gotta make sure that that product is properly inventoried and the taxes are paid on it. That's how we collect excise tax. And the state has always said we reserve the right to inspect that product, for varying reasons, tax payments, tampering, etcetera. So, that -- there is the reason for the requirement of a physical plant to be here. Because what has happened in the past with illegal shipments is that warehouses in other states load their trucks there and bring it directly to the retailer, bypassing, in some cases, the taxation process and the inspection process.

Now, I know there's various people, and we think as we live in 2019 it could never happen, pick up the newspaper, turn on the radio, and read about the disturbingly increasing cases of tainted alcohol. One of the reasons that we require the physical presence of alcohol to be in the State of Connecticut and land at a warehouse is to make sure we trace the product and we have the ability to
trace the product from its origins to the consumer's purchase. So in the event, God forbid, there is a batch of tainted product, it could be properly traced. Without that chain of custody, for lack of a better term, it becomes increasingly difficult to trace the product for a whole assortment of purposes.

So, though I realize the wonderful lady's frustration with some of the things that she tried to do, especially if you're gonna run your business out of your home in a residential area, there -- I just want to say that there's reasons for certain of these provisions.

REP. RUTIGLIANO (123RD): Well, I appreciate your answer. But I guess the short answer to that is the state -- I think a lot of these laws, a lot of these restrictions that are on the books are so that the state can collect taxes. They want to make sure they get their piece and that's how they do it. They do it by putting restrictions on you that the bottles have to sit, they can be inventoried, and the taxes could be paid. So, I didn't think it was so much your industry trying to keep people out as much as it was the state trying to collect their money. But, I'll move on.

MR. CAFERO: You said it far better than I did, Representative.

MR. CAFERO: Well, geez, a lot a shorter too by the way. (Laughter) I'm just teasing. Can you name a brand in the state that is sold by a lot of wholesalers and how does that compare to other states? We've heard --
MR. CAFERO: Well, you know, I can't speak to other states. I mentioned one, Jameson. Kahlua is another spirit that is sold by multiple wholesalers. Five --

REP. RUTIGLIANO (123RD): So, essentially Kahlua could be sold by every distributor in the State of Connecticut if would so choose?

MR. CAFERO: Yes.

REP. RUTIGLIANO (123RD): And --

MR. CAFERO: Kahlua has the right to appoint as many wholesalers as they care to appoint.

REP. RUTIGLIANO (123RD): And does every wholesaler in Connecticut have the opportunity to have -- go wherever they choose?

MR. CAFERO: Yes, yes. Now, but we have -- in my organization, and to my knowledge it might be the only one, we have two members who, because of history and origin, etcetera, have a -- they are not competitors, and I'm referring to Allan S. Goodman and Eder Brothers. They have a cooperative arrangement where Eder Brothers has the southern three counties and Allan S. Goodman has the northern five. But other than that -- by the way, they're only restricted by their own business --

REP. RUTIGLIANO (123RD): Right. So, there's no restriction in law is what you're saying.

MR. CAFERO: No restriction whatsoever.

REP. RUTIGLIANO (123RD): Exactly how many wholesalers do we have in Connecticut? Do you know?

MR. CAFERO: As I said, I mean -- major wholesalers?
REP. RUTIGLIANO (123RD): Yeah. What do you consider major?

MR. CAFERO: I'd say nine. Major wholesalers are people that have major brands. I'd say maybe nine.

REP. RUTIGLIANO (123RD): You say that. Are you talking about, like, Absolut?

MR. CAFERO: Brescome and Barton is the largest. They're no longer part of our organization. We have seven. Another one I could think of off the top of my head that I would consider one of the larger ones is what used to be North East Beverage, part of the Mancini group. And then you have a whole slew, literally hundreds -- well, I shouldn't -- maybe I'm exaggerating. There's about 200 all together that are wholesalers and have a wholesaler permit. They might deal with one product. They might deal in a very limited area, but they do have a wholesaler permit.

REP. RUTIGLIANO (123RD): So, I appreciate the memo and the testimony that you sent earlier. I read all of it. I was -- I had a confusing point on what you considered a -- the term, national wholesaler. I wasn't sure what you meant by it. Like --

MR. CAFERO: Well, I'll give you an example. There are two in particular, three right now. For instance, Southern Glazer Wine and Spirits is a wholesaler. They operate in about 47 states and they have 31.8 percent of the market. Number two, the second largest, is Republic National, and number three is Breakthru Beverage. Those two are on the precipice of merging, and together they have probably another 26 percent of the market. So,
between those, what will then be two wholesalers, 57 percent of the market is controlled by two outfits.

REP. RUTIGLIANO (123RD): Now, do they operate in Connecticut?

MR. CAFERO: They do not. They do not because we have, frankly, a franchise law that encourages --

REP. RUTIGLIANO (123RD): So, you're saying that we have a competitive environment that they don't want to swim in.

MR. CAFERO: Absolutely, absolutely.

REP. RUTIGLIANO (123RD): Because they won't have brand exclusivity and the right to sort of dictate whatever you sell your product to. Is that what you're saying?

MR. CAFERO: Absolutely. Yes.

REP. RUTIGLIANO (123RD): Okay. In reference to balance, you explained the balance term. I appreciate the history lesson in the beginning about how states reacted to the repeal of prohibition and how that worked and what system they came up with, control, balance and all that other stuff. If this legislation were to pass relative to the franchise law, what impact do you think it would have on the wholesalers?

MR. CAFERO: Well, as I indicated before, there is the potential -- I know you folks, appropriately; and listen, I was in your shoes for awhile, are tired and don't pay much credence to the sky is falling. But, you know, the story about the 20 -- going from 2,400 package stores down to 1,250. And by the way, Representative Cheeseman, you had asked
about the experience if wine, I guess, were to go into grocery stores and what you'd have. You know, I just talked to my counterpart in Tennessee. They recently allowed the sale of wine in supermarkets. They lost 25 percent of their package stores as a result. Because what was said before is true, it's not as if more wine is being sold, where it's being sold is being shifted, so. And the reason that the package stores went out is the incidental sale if someone goes in to buy a bottle of wine would also buy a spirit. That opportunity is denied them when spirits aren't sold in supermarkets. So, that's -- that's I guess some data and, you know, I could back that up with percentages and whatever.

REP. RUTIGLIANO (123RD): Well, I appreciate that answer, Larry. I'm just gonna follow up with this. Even though that particular bill about bottle deposits isn't before this committee, it is still yet one of many proposals that speak to your industry. Can you -- I mean things we're trying to do to impact your group. How -- can you comment on how your industry or your distributors would handle that particular proposal?

MR. CAFERO: You know, I guess I'll just sum it up, because I know there's a lot of people that want to speak on a lot of things here, but.

REP. RUTIGLIANO (123RD): But you represent a lot of people in the room I would imagine. Right?

MR. CAFERO: Follow the nickel. Follow the nickel. And what do I mean by that? A deposit system by definition means that the wholesaler delivers to the retailer and the retailer pays a nickel on everything that's delivered, if it's within the bottle bill. The retailer gets their nickel back
when they sell it to the consumer. The consumer, when they return it to the retailer, gets their nickel back. When the wholesaler goes to pick up the product, the empties --

REP. RUTIGLIANO (123RD): I think maybe you're -- I think maybe -- I don't want to interrupt you. I understand the deposit system. I was really asking the impact on your members to set up the system to accommodate.

MR. CAFERO: Oh, well.

REP. RUTIGLIANO (123RD): Not so much -- everybody -- I understand how the money and everything else works.

MR. CAFERO: Well, I know you understand. But --

REP. RUTIGLIANO (123RD): But you have -- right now, you have -- it's not like the beer people. It's not like the soda people. There is no mechanism, I believe, for wine and booze, for you to even take the bottles back. Correct?

MR. CAFERO: And if we did, we don't know whose bottles we're taking back. And in only say that, Representative, because unlike other industries, as I just described, in the wholesaler world, did you sell them that bottle, or did he sell them the bottle? Who sold them the bottle and where's the nickel going, number one? Number two, we believe that to change our system to a bottle deposit system, the infrastructure change with the necessity, absolute necessity, this isn't an option, of trucks being changed from rear loaders to side loaders, of the loading of the truck system to go from a conveyor system to a forklift system, of the
necessity for extra receiving bays to store the empties, etcetera, would cost several millions of dollars just as a startup and an ongoing expense of millions of dollars thereafter.

And one last thing, the reason it is so different, is never in the history of Connecticut bottle law has any distributor been asked to participate in the program without getting a refund back by virtue of the unclaimed deposits. Since 2009, the unclaimed deposits go to the state. That means any expectations for wholesalers in the wine and spirits world to participate in this is on them. And that, I believe is unfair.

REP. RUTIGLIANO (123RD): Well, I appreciate your answers. I think it's fair for the committee to look at the impact on business as a totality. Every proposal the state is putting forth that impacts you guys. So, we may only have jurisdiction over a certain, but I think -- a certain many of them, but I think we should recognize that there's more. And thank you for your time, Mr. Chairman. Thank you for your answers.

SENATOR FONFARA (1ST): Thank you, Representative. Representative Candelora.

REP. CANDELORA (86TH): Thank you, Mr. Chairman. What I was just hearing, it just seems this just cause, proposed changes, seem to be driven from the craft brewery industry. Is what I'm hearing, is our local manufacturers within the State of Connecticut may have an issue with getting out of contracts that they have entered into. Is that -- you don't know.

MR. CAFERO: I honestly, you know, I haven't even heard the rumor of that. Maybe shame on me and
naively I haven't heard the rumor of that. I do know and I wasn't being glib with the good Chairman. I don't know what problem, at least, again, my in world, the wine and spirits world. I don't know what problem we're trying to solve. I just don't get it.

REP. CANDELORA (86TH): Right. That's what I'm trying to get my arms around. Because under the -- the way I see the just cause, the two ways, although you have to petition to get out of a contract, the law allows you to choose any wholesaler in the State of Connecticut. So, even though you might be tied to a contract, you could put it on the shelves and just choose another one.

MR. CAFERO: Correct.

REP. CANDELORA (86TH): And so -- yeah, and I guess -- so, that's sort of what I'm stuck on because I hear what you're saying too and I'm concerned of the flipside of this. Additionally, too, with the contracts, aside from having just cause, by having the construct of the law the way it is, do you know -- do manufacturers end up entering into -- or can they enter into exclusive arrangements?

MR. CAFERO: Oh, it's done all the time.

REP. CANDELORA (86TH): Where they're only gonna operate with one wholesaler?

MR. CAFERO: Yes. In fact, most wine is done on an exclusive basis and there are many, you know, spirits that are done exclusively, you know. So, yeah, that's absolutely. That's just a fact of life.
REP. CANDELORA (86TH): So, then that wholesaler would be distributing it throughout the State of Connecticut.

MR. CAFERO: That's correct.

REP. CANDELORA (86TH): Okay. And then my last point, that you had just mentioned, talking about, you know, the impact of having the large national wholesalers coming in versus, you know, keeping it the way it is right now. You had referenced that the back office services and the marketing services, and I just wondered if you could just speak to that a little bit. In my experience, at least with the beer wholesalers, there is that service that's provided to our retail market in the State of Connecticut. If you could speak to that benefit for our restaurants, our package stores.

MR. CAFERO: Yeah. You know, as I said before, Representative, you know, some people think -- I often said, everybody knows what kind of wine or spirits they like and everyone knows where they like to buy it. But very few people ponder how it gets from point A to point B, and a lot of people think that middle tier, the wholesaler tier, the tier that I represent, is a delivery service. And it's so much more, as I learn every day, than that. A supplier goes to a wholesaler and chooses the wholesaler, not because of their size and year and model of their trucks, but because of their stat, their sales stat, their marketing stat, what they have in the back office, the kind of printing capabilities they have. They print menus. They print a whole host of things to help position that product within the market.
They invest thousands and thousand of dollars. So, it's not as if it's a, you know, I don't know, a car service or a truck service where you say, you know, I'm tired of you. I want to go from you to you. Hey, that's -- the reason franchise law is in is, wait a minute, I just invested six months or two years or six years, hundreds of thousands of dollars in your brand and you're just gonna pull it away from me for no reason? That's the whole sort of history whole sort of history in layman's terms on what franchise law is all about in Connecticut.

REP. CANDELORA (86TH): And I appreciate that. So when, you know, you walk into a bar and you see, like, the fancy ice machines that have the different liqueurs that you can put in to it and do shots from, all of those type of products are what our distributor -- our wholesalers are supplying.

MR. CAFERO: Well, you gotta be careful with that, though, because the federal law -- the federal law, and this is -- you know, again, I don't want to be here anymore than you want to hear me.

REP. CANDELORA (86TH): Yeah, yeah.

MR. CAFERO: But there's -- I don't mean that with disrespect. But there's stuff in here, especially in section 12, that in my opinion, goes against federal law. You see, we have an industry which is separate for a reason. You can't pay to play.

REP. CANDELORA (86TH): Right.

MR. CAFERO: So, you can't have a wholesaler in order to get that retailer's business say I'll buy you machines. I'll buy you a car. I'll send in staff to clean your store. You can't do that. There's
limited you could do. In some cases limited by dollars and some cases limited by categories; cleaning tap lines, providing menus, providing credit for up to 30 days. But as far as pay to play, and when you, in the proposed section 12, take out the words free goods, and you take out the words services, that means, depending on how you read it, it's the wild, wild west out there. Now, we're in a pay to play. And I would argue that it literally violates federal law of the Tax and Trade Bureau that prevents those kind of giveaways.

REP. CANDELORA (86TH): Okay. So, I'm familiar with the state level. I didn't realize there could be federal implications for that as well.

MR. CAFERO: Yes.

REP. CANDELORA (86TH): Because, currently, you cannot go into a pack -- or, say, a restaurant and say I'll give you $5,000 dollars if you give me your business.

MR. CAFERO: You give me your business.

REP. CANDELORA (86TH): And then -- right.

MR. CAFERO: Yeah. And if you define goods as alcoholic liquor, because let's face it, what does a wholesaler sell. Their goods are alcohol and wine and/or spirits. So, if you are taking out the prohibition against free goods, I could say to you, Retailer Vinnie Candelora, you buy ten cases from me and I'll give you two cases for free.

REP. CANDELORA (86TH): Right.

MR. CAFERO: Hello? That's pay to play and it also leads into quantity discounts. So, it's for that
reason, that and the number of items, which has been discussed ad nauseam, that are to be sold under ten percent that, though, and again, I take the good Chairman at his word, the intent wasn't to undermine minimum bottle. But if you combine those two things, the effect could be and would be, I would submit to you, the undermining of minimum bottle. So, that's why the concern was here and that's why I'm so appreciative of the Chairman saying what he said at the beginning. But just so you understand why there are 400 people here, like, with little stickers on, going homina, homina, homina, it was because of that.

REP. CANDELORA (86TH): Because the impact ultimately then with the minimum bottle issue, by allowing up to ten being sold below market price, what you're saying is -- I mean effectively it sort of does away with minimum bottle because it's too many.

MR. CAFERO: Ten brands.

REP. CANDELORA (86TH): Right.

MR. CAFERO: You could have a hundred -- you know, as I said, Smirnoff has -- sells 40 vodkas. So, there's 40 of them. Absolut, forget about it. You know, before you know it, there's 200 things up for sale. Now, you're a small person. You can't do that. Because remember, you're saying you are selling it for less than you paid for it.

REP. CANDELORA (86TH): But even worse, it seems like we're incentivizing selling an intoxicating beverage in larger quantities at a faster pace as a result. I mean, that's --
MR. CAFERO: You know, I -- for whatever it's worth, I just read a report with regard to the United Kingdom, which has very little, in fact, no price restrictions on their alcohol, and they are moving afoot to put them back in because they directly believe that price has something to do with the amount of consumption.

REP. CANDELORA (86TH): Yeah, that's another thing to think about. Thank you.

REP. D'AGOSTINO (91ST): Just a follow up question, I mean, just so we're clear. Minimum price is not market price. The minimum bottle price in the State of Connecticut is not market price. There's -- that's -- in fact, the two things are actually antithetical to each other.

MR. CAFERO: No. I'm sorry --

REP. D'AGOSTINO (91ST): The market doesn't set the minimum price.

MR. CAFERO: No.

REP. D'AGOSTINO (91ST): Right.

MR. CAFERO: Well, it does and it doesn't. And what I mean by that, by our law, wholesalers set the price in consultation with the supplier. So, the supplier --

REP. D'AGOSTINO (91ST): Yeah, I've never understood what that means, but.

MR. CAFERO: I mean the supplier -- by our law, the wholesaler posts the price.

REP. D'AGOSTINO (91ST): Yeah.
MR. CAFERO: But the wholesaler doesn't do that in a vacuum. The wholesaler -- first of all, you're dealing with a supplier that has their product. So suppliers and wholesalers meet and say how do you want to market this product? Where do you want the price point of this product to be? Some suppliers will say I don't want -- I want to keep my price point high because in my market high price connotes quality, etcetera, and I don't want to diminish the value of my product. There are some that would say I've got to rid of this stuff and I don't care what you sell it at. I'm exaggerating. But those are the kind of things that go in.

So, it's not just like somebody plucks a number out of the air and says this month we'll sell this at that. People seek -- remember, they're not competing intra-brand, but they're -- so, Absolut, for instance, cares what Smirnoff is doing. Smirnoff cares what Tito's is doing because they're sort of competing with each other. So, the market does sort of control the price in a sense. It's not directly that way, like a refrigerator or something, but -

REP. D'AGOSTINO (91ST): But once it gets to the retail level, that minimum price is set, and aside for the exceptions that we may allow, you can't go below that.

MR. CAFERO: You cannot go below it. You're right. And forgive me if I misunderstood you.

REP. D'AGOSTINO (91ST): No, I think we're on the same page. I'm just trying to clarify for folks that may not be that familiar with it that the layers here, I mean, you know, people are making money at every layer. I mean, nobody's doing this
at a loss each way through. You know, the manufacturers are making money when they sell it to you. You're making money when you sell it to the retailers. The retailers are making money when they sell it to the general public. All the way down the chain. Of course it all leads to the consumer who has to pay for all of this. And I think -- I do think that sometimes gets lost in this whole discussion because all we hear from are, obviously, those three people in the chain and usually not the consumer, who says I'd like my -- you know, I wouldn't mind paying less for this.

But anyway, that's beside the point. You've been very patient and we've kept you here for a lot of questions. I think we're all set.

MR. CAFERO: Thank you very much.


MR. CAFERO: I'm sorry.

REP. D'AGOSTINO (91ST): Representative Cheeseman, I'm sorry.

REP. CHEESEMAN (37TH): We just didn't think we'd had enough of you, Larry. Yes. So, with regard to the issue with the divorce from the wholesalers, I know breweries, small breweries, do have an issue with that. I had a conversation with one of the three breweries in my district. You say they can appoint another wholesaler.
MR. CAFERO: Now, you said breweries? Again --

REP. CHEESEMAN (37TH): Craft brewery.

MR. CAFERO: Well, forgive me, that's -- again, that's beer. That's out of my purvue.

REP. CHEESEMAN (37TH): Out of your line. But -- okay. So, I'm not -- okay. But in terms of the just cause, how often does this happen?

MR. CAFERO: You know, I don't have a statistic on that. There are -- the actual causes of just cause are enumerated in the statute, what you could allege I want to terminate this wholesaler for and here's the reason. This is the just cause, just and sufficient cause reason. It's enumerated in the statute. How often that happens. That's a question probably better for somebody in DCP because they are an integral part of that process.

REP. CHEESEMAN (37TH): Right. I'd be curious to see that because if --

MR. CAFERO: I'll try to get that for you.

REP. CHEESEMAN (37TH): If the process is too onerous, people aren't going to avail themselves of it. So, like, I'd be very interested to see those statistics. Thank you. Thank you for your indulgence.

MR. CAFERO: Thank you.

REP. D'AGOSTINO (91ST): It's a great question and I think we should actually make a request to DCP. And maybe ask our attorneys as well because often there's litigation that results as well, and we've seen that in the court system, usually after a
hearing or sometimes even before. So, we should get all that for you.

MR. CAFERO: Thank you.

REP. D'AGOSTINO (91ST): Other questions? Now, you're all set. Thank you. Representative Zupkus? We will, again, entertain the representatives when they can make it. They've got hearings going on and obviously we've gone on for a bit. Representative Pavalock-D'Amato. Give her a second. We'll see if she's -- let's see if she's around. All right, we'll -- I'm sure she'll be back. Let me -- sorry. Thank you.

REP. PAVALOCK-D'AMATO (77TH): Thank you so much. I'm Cara Pavalock-D'Amato and I am here with the presidents of the Brewers Guild, Dana Bourque, so I'm going to hand it right over to him. So, he needs a live system. Thank you.

MR. BOURQUE: Thank you very much, Representative Pavalock. I'm sure some of you remember me from previous years. My name is Dana Bourque. I represent the Connecticut Brewers Guild as president of the organization as well as The Firefly Hollow Brewing Company out of Bristol, Connecticut. And I just want take a moment to thank you all for being here today, specifically because we've been having this conversation for a few years and elements of both Senate Bill 647 and House Bill 7184 really reflect some of the feedback that we've given the committee over the past few years. So, I'm gonna try to be fairly brief here and hopefully not open too many cans of worms. But there are elements in both bills that I'd like to comment briefly on. So, the Connecticut Brewers
Guild supports the protection and expansion of breweries' retail rights through the increase of direct consumer sales limit. An increase helps to keep Connecticut regulation in competition with adjacent states, give the consumer the choice of where and how much product to purchase, and expands an essential piece of cash flow for our many small businesses.

We oppose the removal of the on-site excise tax exemption, which would bring an additional and significant tax to many small Connecticut breweries. In many cases, this will drive up the cost of consumers. And it's also worth mentioning that the Connecticut excise tax is currently, and I understand there may be some modifications of the Governor's bill, but it's considerably higher than some of the adjacent states we compete with.

So, we also -- we support the simplification of the beer permitting structure to one catchall permit, essentially mirroring the current manufacturer for beer and brew pub permit. This currently includes the sale of retail wine and liquor not manufactured on premise. It's worth noting that Connecticut is home to several brew pub restaurants, some of which have been in operation for 20-plus years. And we believe that streamlining Connecticut's permit structure will be good for basically giving everybody the same playing field.

We also acknowledge and welcome the growth of other emerging sectors of the alcohol industry. We fully support the retail rights for cideries, distilleries, meaderies, and other emerging sectors. And I think it's important that we talk about having that same playing field for all of us.
We feel that these changes will help the Connecticut craft beer industry to continue to grow and thrive. They are also important steps for keeping our industry competitive with adjacent states who enjoy benefits of lower excises taxes and higher or no limits to consumers. We appreciate you hearing us today and we look forward to continuing this conversation. Thank you.

REP. D'AGOSTINO (91ST): So, you've heard some of -- and this is -- thank you again for coming up and we appreciate everything that you and the industry's been doing to support and grow this fantastic industry in Connecticut. You've heard some of the concerns and Representative Rutigliano and I will probably go back and forth with some questions just to sharpen that. But just to put it out there.

One of the things that we're really struggling with here is you guys have grown, you're doing great and we want to encourage that. The criticism, that I think is well taken in some regard, is wait a minute, did we really mean to allow a brew pub to open up, manufacturer its own beer, so you're a manufacturer level, sell it at retail, and then start selling everything else too. You want to sell wine. You want to sell somebody else's beer. You want to have food and a restaurant, etcetera. Did we really mean to, and I don't think we did mean to allow sort of that loophole, if you will.

And so, one of the things that we're sort of debating here and I'd like to get your perspective on, is if we said, okay, wait a minute, here's what we're gonna let you do. You can manufacture your own beer. You can sell your own beer. You can sell unlimited amounts to people who walk in the door
because we think that that helps grow the brand, grow the business, you're gonna need a wholesaler, you're gonna need package stores to distribute it across. We're gonna let you do that, but we're only gonna let you sell your beer and maybe we'll also let you sell a Connecticut craft wine and maybe a Connecticut craft cider that we'll -- we set certain limits on that. But that's it. If you want to open a restaurant, we'll let you apply for a separate permit, a separate process for that that you've got to go through and show. You've got to meet all the requirements for that.

If you want to open up a full tap room and bar, where you're selling other liquor, other beers, other products, you've got to get a separate permit for that. Or maybe we'll say you can't do that. I -- this is all subject to some conversation amongst the committee. But what I'm trying to get at is how do we address this concern that we want you to grow and grow and sell your product and grow within the three-tier system, but not give an unfair advantage to the restaurants. This is kind of timely because right after you we're gonna call the guys from the Restaurant Association, so we're gonna hear this give and take and I think it's a perfect dichotomy. But I wanted to get your perspective on those issues.

MR. BOURQUE: Yeah, sure. So, when it comes to the selling of other liquors that were not made on site, what's really important to us is that we have an avenue for someone who -- I'm gonna use Willie Brew as an example. They're in Willimantic, Connecticut, and they've been around for I think 22 years now. You know, it's very important for us to be able to make sure that they can continue business so that
they have an avenue to get to that point so they can -- you know, whether it's a, you know, a base permit that you can add on to. That's one of the things that's key for us.

REP. D'AGOSTINO (91ST): Do you know how many --

MR. BOURQUE: I'm actually gonna --

REP. D'AGOSTINO (91ST): I want you -- just real quick. Do you know how many within the guild sell other products beside what they manufacture?

MR. BOURQUE: I could probably name about a half a dozen and I think between, I don't know, maybe ten, and there's probably a half a dozen that have a restaurant attached to it.

REP. D'AGOSTINO (91ST): It's not a lot compared to the whole.

MR. BOURQUE: Yeah, comparatively speaking. What we see a lot of right now is the full tap room. You probably will see -- okay, so what I should clarify is it's very common for Connecticut breweries to carry Connecticut cider and occasionally wine. So, my number would go up from there. But I guess when I'm answering that question, I'm looking more at the sort of like bar scenario where they might be serving spirits from out of state, where it's a more significant thing. So, you know, I actually really enjoy the idea of having a part of our permit essentially incentivize Connecticut breweries to purchase Connecticut-made products, because there's a huge Connecticut Ag sector that's kind of orbiting right now.

We've heard from people, you know, making cider, mead. I know there's hops and malted barley also
being grown in the state. So, it would be great to have us incentivize those things. But like I said, it's just a -- I think it's important for us to build an avenue so that folks, if they choose to, can get that restaurant and maintain the ability to sell liquor at their bars.

REP. D'AGOSTINO (91ST): We'll probably go back and forth a little bit. I want to turn it over to Representative Rutigliano.

REP. RUTIGLIANO (123RD): I feel that we've asked most of the questions that I had today. But he could -- you could open a restaurant now. It's called a brew pub. And have a full liquor license with food and manufacture beer. It's in the regulations. It's been there since 1994, 3 or 2 or something like that, so, just to be clear on that. I'm gonna not ask any question.

REP. D'AGOSTINO (91ST): No, no, no. Because I think it's important. It's important to understand the scheme. So, how many have that particular permit in our --

MR. BOURQUE: Right now, I think it's three. And mostly the feedback that I've gotten from the brew pubs is there's a few things that they would like to do that the manufacturer for beer and brew pub permit would allow them to do, but they just aren't really able to because there is this sort of -- they would have to reapply for their entire permit to get into that sector, which essentially has less regulation. And most of these guys, they're --

REP. RUTIGLIANO (123RD): You're saying the manufacturer has less regulations.
MR. BOURQUE: Correct. Because it's basically the county permit for the manufacturer and brew pub.

REP. RUTIGLIANO (123RD): Right.

MR. BOURQUE: But the feedback I've mostly gotten is that there's a handful of folks who would just like to distribute a small amount of beer. Most of these guys, they have small brewing systems anyway. So, it'd be a fairly small wholesale operation for them, you know.

REP. D'AGOSTINO (91ST): And we currently prevent you from having the manufacturer permit and the wholesale permit, if I'm not mistaken. I don't think you can have both.

REP. RUTIGLIANO (123RD): Well, he could self-distribute though.

REP. D'AGOSTINO (91ST): Well, the self -- you can always self-distribute. I'm just saying you can't be a wholesaler for --

REP. RUTIGLIANO (123RD): And have other brands?

REP. D'AGOSTINO (91ST): Other brands.

REP. RUTIGLIANO (123RD): No.

REP. D'AGOSTINO (91ST): But you can self-distribute.

MR. BOURQUE: Yes.

REP. D'AGOSTINO (91ST): All right. Let me ask you briefly while we're on that topic. You heard some of the prior testimony with respect to the restrictions on your members being able to after six months move to a different distributor. With respect to beer, as opposed to the liquor permits
that we heard about, liquor wholesalers that we heard about from Mr. Cafero, you cannot -- you are exclusively tied to one wholesaler.

MR. BOURQUE: Yeah, one wholesaler for one territory.

REP. D'AGOSTINO (91ST): And after six months, you can only get -- you can only change wholesalers with just and sufficient cause and after a public hearing with DCP.

MR. BOURQUE: Yeah, it ends up -- it's laborious to say the least.

REP. D'AGOSTINO (91ST): Say that again.

MR. BOURQUE: It's laborious to say the least.

REP. D'AGOSTINO (91ST): That's probably an understatement.

MR. BOURQUE: I mean, I don't think it really happens in Connecticut realistically.

REP. D'AGOSTINO (91ST): All right. Thank you. Representative.

REP. CANDELORA (86TH): Thank you, Mr. Chairman. So, to that question, because when we're reading the statute it appears you have the ability to choose multiple wholesalers. So, are you bound to that one wholesaler by contract?

MR. BOURQUE: Yeah. Once you sign -- so, for beer, you're generally looking at territory by counties. So, you know, if I sign a distributor for Fairfield and New Haven County then, you know, I'm gonna be, you know, tied to those guys or --
REP. CANDELORA (86TH): But that tie-in, it is -- it's negotiated through a contract?

MR. BOURQUE: It's pretty much indefinite as it's currently written.

REP. CANDELORA (86TH): Is it in your contract is my question. Because the statutes don't seem to speak to that, so I don't know how you would be tied to someone unless it's in the contract.

MR. BOURQUE: If I'm not mistaken, I believe that if you were able to get out of that relationship, you would be further bound to not be able to sign with another wholesaler for that territory for at least a period of time. And I'm gonna be 100 percent honest. This particular set of regulations is not one that I'm very well versed on.

REP. CANDELORA (86TH): Okay.

MR. BOURQUE: I have some folks who are coming up who I know will have a lot more information on it. But I'm just gonna put that out there as a caveat that this particular piece is not my strongest point.

REP. CANDELORA (86TH): I appreciate that. Sorry to put you on the spot.

MR. BOURQUE: No, no problem at all.

REP. D'AGOSTINO (91ST): Other questions? Go ahead, Representative Altobello.

REP. ALTOBELLO (82ND): So, as we sit here and listen, everybody seems to have a little different business plan. We'd like you all to succeed and somewhere along the line -- it seems like year after year we have people that come to us and say, but I'd
like to do this, but I can't because I need to do this and I need. What would you think if we just had just basic licenses for on premise, off premise, and then you add riders to it like an insurance policy? You know, my wife's diamond ring, so you've got a special policy there. So, you go back to DCP and say I want to add this product. I'd like to add mead, but I don't make it. I mean, do you have any ideas regarding that, as your business expands without having to get a full-blown license to start out with?

MR. BOURQUE: So, there's two parts of this and I think I speak for most Connecticut breweries when I say that the simpler the permitting process the better. And if you have the ability to add on to it, as long as it's not restrictive in any sense, you know, and obviously we'd have to see some language to have a full discussion on that. But we'd be fully open to having a conversation about, you know, potentially allowing having like a basic manufacturer's permit for alcohol that you could expand upon or, you know, buy into different sectors. You know, I think that's -- I've heard some folks -- you know, there's definitely brewers who have expressed to me in the past that they would love to make cider or they would love to be able to open up another section of their facility to do distilled spirits. But the way that things are structured right now that's not possible in the state.

REP. ALTOBELLO (82ND): Or even to sell pub food or, you know, as your business plan changes, and that's driven more by the customers and clients, how you can adapt to the easily and without a lot of regulatory hurdles. But give it some thought and --
MR. BOURQUE: And if I could, --

REP. ALTOBELLO (82ND): Sure.

MR. BOURQUE: -- I would like to mention that, you know, we're -- the Connecticut Brewers Guild is open to continuing this conversation and I hope that we're all able to, you know, come to some legislation that benefits everybody.

REP. ALTOBELLO (82ND): Thank you, sir. Thank you, Mr. Chairman.

REP. D'AGOSTINO (91ST): Thank you. Representative Rutigliano, do you have a follow up or -- we're gonna --

REP. RUTIGLIANO (123RD): He indicated that it wasn't his line of expertise and I had a question on that subject. So, thank you.

REP. D'AGOSTINO (91ST): We'll have other folks. I think we're all set. Thank you again for coming up. Thank you, Representative, for bringing him up to testify. Appreciate it. Dan Meiser, Connecticut Restaurants.

MR. MEISER: Good afternoon and thank you to the members of the General Law Committee for holding today's hearing. In particular, I'd like to thank Co-Chairs Fonfara and D'Agostino, as well as Ranking Members Cheeseman and Witkos. My name is Dan Meiser and I'm here representing the Connecticut Restaurant Association where I currently serve as chairman of the board. The CRA works on behalf of our 155,000 Connecticut employees, representing just over ten percent of the state's workforce. Nearly 8,000 small businesses are represented as well, last year doing
just over $7.6 billion dollars in sales tax revenue for the State of Connecticut.

CRA is here for two main reasons today. Number one - we're here to show support of Senate Bill 647, which looks to clarify and streamline the Liquor Control Act, and in particular the number and types of permits available. Number two - we want to ensure that the General Law Committee and the General Assembly know that the CRA stands in favor of a reasonable and fair three-tier system and we will work to continue to clarify and maintain the distinctions between manufacturer, distributor and retailer.

Fifteen years ago, I started off in the restaurant industry as a prep cook right here in Hartford at Trumbull Kitchen. I now own three nationally recognized farm-to-table restaurants in Mystic, where we proudly employee over 200 people. My wife and I also own a 63-acre farm, where we grow year round for our restaurants, so I understand the farming community. Last year, we also purchased just north of $1 million dollars of Connecticut farm products. That includes meat and fish, but it also includes wine and beer.

Being in Mystic, I understand the importance of a tourism-based economy and the importance of having businesses that attract those tourists. Also, as a young entrepreneur, I know what it is to run a business, to take on that risk, and to grow and nurture that business. So, at the CRA it is very important that everyone knows that we support small business. We support entrepreneurialism and we absolutely support our friends in Connecticut's craft beer industry. As we speak, the draft lines
at all three of my restaurants and restaurants across the state proudly are represented by Connecticut craft beer. Members purchase and sell this beer on a daily basis.

However, as stated earlier, we support and successfully work within the boundaries of a three-tier system, understanding that over time the systems evolve. We would hope that those evolutions be modest, reasonable and fair. We also believe that the notion of staying in lane is a good thing. I'll finish up here. So for this reason, essentially we want to make sure of two things. One, that you understand that we want to be part of this conversation and that we look forward to working with this committee and the General Assembly as a whole in figuring out what this evolution of the three-tier system is and also looking back, as Chairman D'Agostino pointed to, some things in the past that maybe are unintended consequences that we would look to clean up as well.

REP. D'AGOSTINO (91ST): Thank you. Senator Witkos.

SENATOR WITKOS (8TH): Thank you. Thank you, Dan, for coming today. I know most of your remarks were prepared prior to today's hearing, so you've had the opportunity --

MR. MEISER: I -- sorry. I thought about just scratching after listening to the Chairman talk, because he nailed it.

SENATOR WITKOS (8TH): No, it's okay. Have the opportunity to hear kind of where the discussion has been going.

MR. MEISER: Right.
SENATOR WITKOS (8TH): So, I just wanted to give you a moment to comment on what seems to be the direction of where it's going.

MR. MEISER: Sure. I mean, -- and thank you. To follow up on Chairman D'Agostino's comments with the last speaker, we as an association and I personally would absolutely support Connecticut breweries being able to manufacture and sell their own beer both over the counter in the form of a pint for on-premise consumption, and to go for off-premise consumption. We support that. And we also support the three-tier system. So, if folks would like to open a restaurant and serve vodka sodas and other people's beer and other people's wines, then that's great and we support that and we would hope that the rules and regulations that are applied to us as a restaurant, holding a class-one food service license, that those would be applied in those instances as well. And I think that's fair and reasonable.

SENATOR WITKOS (8TH): Any comment on -- I know other folks may be coming to talk about if they run a vineyard that they want to be able to sell the craft beers, Connecticut craft beers, in their wineries because some folks go there and they may not want to sample a glass of wine. They want to have the same product and the same availability, parity, if you will, that the breweries currently have in statutes. So, any comments about that?

MR. MEISER: Yeah. I mean, I think once again I'd go back to my prior comments. That, you know, if your intention is to sell products that you are not manufacturing on site, then you should be subject to
the rules and regulations that Connecticut's bars and restaurants are currently subject to.

SENATOR WITKOS (8TH): Thank you very much. Thank you, Mr. Chairman.

REP. D'AGOSTINO (91ST): Yeah, I think that's just sort of a gray area where we're trying to figure out where we might be able to thread a needle. And I appreciate exact -- everything you just said and that there's an obvious equity and appeal to what you're saying. I get that. I think we would want to continue to work with you. And I think to the extent that we may want to create a little bit of a carve out with respect to, okay, within certain limits and a certain size, etcetera, and not for off-premises consumption. Maybe we'll let you, as a Connecticut craft beer maker, sell a Connecticut wine, and vice versa.

I appreciate that, you know, that you would oppose that. I want to assure you, though, that if we go with that direction we are absolutely mindful of your concerns and would not be looking at that as the camel's nose under the tent and then, you know, two years from now they're able to have a full-blown bar, etcetera. Because I think you make a very powerful argument about an apples-to-apples comparison. We're just trying to figure out if there's something we can do around the edges, and also -- and this is our fault. I will say that. In terms of how we -- Representative Rutigliano says this all the time, that we sort of created a loophole we didn't intend to.

So, we do have -- we do have some of these brew pubs, craft beer manufacturers, who are essentially operating full bars right now. We need to figure
out a way to deal with that situation if we go in this direction without putting them out of business as well. And maybe what we do is we create some sort of, I don't know, some sort of a side permit or some way of dealing with that, still within the concept of streamlining everything. But you see what we're struggling with. I just wanted to assure you that we are very mindful of your concerns. I do -- as big a proponent as I am of the craft industry, as I think you've heard in the last year or so, I am very receptive to the argument you're making about their needs to be some parity and we can't just out an end-run-around our restaurant licensing. And so, we're trying to figure out how to balance that. I want to thank you for approaching this in a reasoned manner.

MR. MEISER: Great. Thank you. And it goes without saying that we look forward to finishing and continuing that conversation. Because fully understanding that, you know, in the weeks and months head, there will be, you know, common ground that needs to be found and I'm happy to be a part of that.

REP. D'AGOSTINO (91ST): Thank you. Thank you. Representative? Yeah.

REP. RUTIGLIANO (123RD): Well, it would be obvious that I would have a ton of questions, but I don't. I feel that the testimony speaks for itself and I appreciate the Chairman's remarks. But I did want to take a moment and thank you for coming up, Dan. And I appreciate your perspective.

MR. MEISER: Thank you.

REP. RUTIGLIANO (123RD): Thank you, Mr. Chairman.
REP. D'AGOSTINO (91ST): Thank you. Any other questions? Thank you very much for being here today. I appreciate it. I see Senator Somers there. Representative Zupkus I'm still waiting for. So, Senator, if you're here, please -- oh, okay. Thank you.

SENATOR SOMERS (18TH): Good afternoon. To the Chairs and Ranking Members and fellow members of the committee that are left here today, I'm Senator Somers and I have with me, Precious Putnam, from the Beer'd Brewing Company. And I would just like to testify quickly on bill 647. I am primarily focused on the portion that addresses the microbreweries. And I represent the largest tourist destination in Connecticut. It's Mystic. By the way, Dan's restaurants are wonderful, the previous speaker. And I understand how important that the craft brewery, microbrewery business is to our economy.

When I look at what we do currently, it reminds me of what I faced as a small biotech company here in Connecticut. I was a small niche company trying to compete with these giants - Johnson and Johnson, Bristol-Myers Squibb. So, what I had to do was create a market and create my brand. And the only way I was able to do that was to sell directly to the consumer. By being able to do that and proving my product, I then was producing enough to make it equitable and financially stable to be able to go through distribution. The distributors really did not want to distribute such small quantities.

So, I'm here to promote the idea of microbreweries. I know there's been a lot of talk about the different make-ups that we have currently. But the microbreweries that I represent are making their own
beer. They are not selling food. They do offer, I believe, a Connecticut cider for those who don't like beer. But I would like them to be able to sell more beer directly to the customer. I see what we have here in Connecticut as sort of a big beer mentality, which does not manufacture their beer in Connecticut. It does have the ability by its size to protect its market share and its shelf space, and it is distributing the most cheaply produced beers in the world.

The system we have now significantly impacts our microbreweries for their ability to grow and it has a negative economic effect on towns like Mystic in my district where our microbreweries are very limited in who they can sell to and how much they can sell directly, therefore, not creating the demand in Litchfield County or some other place where, if they were able to do that at some point, it would make sense to go through a distribution. So, again, these small companies, many of them, like myself, were working two or three jobs to keep their breweries open. And they need to create their name. They need to go through the complicated permitting process and create their brand, and I would like to see them be able to sell more direct.

I also would like to see jobs be able to be allowed in microbreweries that do not sell beer. Because many other states do that and many of us that are visiting these particular microbreweries would love to be able to do that. So, I want to turn it over to Precious so that she can provide some testimony for you also. Thank you.

MS. PUTNAM: As Senator Somers has stated, my name is Precious Putnam. I am a Co-owner of The Beer’d
Brewing Company, an independent craft brewery in southeastern Connecticut. I would like to thank the esteemed members of the General Law for their time today and for allowing me to testify in favor of House Bill 7184. I want to make it clear that the Beer’d Brewing Company supports our local package stores and I urge you to consider changes to H.B 7184 that would negatively impact our friends and partners of the homegrown package stores here in Connecticut. Today, I want to talk to you about the numbers, something that seems to be a large topic of discussion here at the Capitol, between tolls, budget cuts as well as tax increases.

One of my focuses since day one of opening our brewery with my husband has been to be in contact with the pulse of our company. That is our customers. Since the last session, I have not only heard our customers complain about the direct to consumer limits, but I have heard them voice to us what they would have purchased, only if they were able to, for holiday parties, to share with friends, or just to have a nice selection at their own home. So, we conducted a survey for them to voice their opinions and found out that 90 percent of our customers stated that they would have purchased more beer when visiting Connecticut breweries. Fifty-one percent of our customers would have purchased two to four more four-packs. Twenty percent of our customers would have purchased four to six more four-packs. And fifteen percent of them would have purchased seven or more. And guess what? Ninety-six percent of our customers would like to see this law change.

As many of you had seen from last year, from the abundance of written testimony in support of the
removal of the direct to consumer limits, our community is strong. While your constituents urge you to update this outdated law, the opposition seems to be lining the pockets of naive elected officials to make sure these laws stay in place. So, let's talk money. Based on the numbers mentioned earlier, if 51 percent of our 22,000 customers that visited our brewery last year purchased an additional two to four more four-packs, Connecticut could see an increase of tax revenue in $22,000 to $44,000 dollars. That's just us. If you multiply that by the 80 breweries we have in Connecticut currently, which is over $1.7 million dollars that could be collected if amounts were removed.

We're not only creating jobs here in Connecticut, we are keeping youth in a state that so many are fleeing. The beer industry is booming, yet we are one of few states that seem to be behind - 47 to be exact. I strongly urge you see the benefit in the removal of the limits for direct to consumer sales. Thank you.

REP. D'AGOSTINO (91ST): And of course in addition to the sales, would you agree that by increasing the amount that your consumers can buy for off site, again, it sort of increases that brand recognition. I think the Senator said it perfectly. It allows that sort of development, that all of a sudden now you're able to hit a level where the distributors want to get you across the state and somebody all the way across the state says I want your beer in a restaurant. I want to buy it in a package store. Would you agree that that is another sort of benefit to increasing the sale limits?
MS. PUTNAM: One-hundred percent. My husband and I started back in 2012 and we did not, a) have the finances to can any products. We were, you know, young loves. We were entrepreneurs at best and very realistic, where I maintained full employment until October of last year, and ran a whole business with my husband. When we did expand, we were in Groton, Connecticut. We just built a second facility because we needed some additional space. And with that now, because we have that six years in our tap room where we're talking to our customers, we're getting to know what they liked for our products.

Now, we are throughout Connecticut, in most package stores. We are in throughout most bars and restaurants as well. I would be ashamed to see Connecticut not allow -- now that we have 80 breweries, to not allow those small ones that are coming in to this lovely industry we have, to be limited. When we were limited, luckily there was twelve of us. So, now there's a lot more friendly competition and I 100 percent agree. Our tap room is our brand and if we were able to sell more to our customers directly, they were then able to get more of a variety of our products. Then when they see it at their local package stores, they've already tasted it. They've already sampled it.

You heard a gentleman earlier say, you know, why would someone want to buy something blindly. And he's 100 percent correct. And it's kind of really disappointing to have a customer really like a few of our brands and we have to tell them they can only have four of them, even though maybe they liked six. And as a small business, I'm sure none of you would like to limited on what your income was.
REP. D'AGOSTINO (91ST): Senator.

SENATOR WITKOS (8TH): Thank you, Mr. Chairman. So, the -- one of the bills we're proposing to increase the limit to 23 liters per day, and I think that addresses most of the percentages that you had mentioned in your testimony so it would cover your customer base. And I applaud you and your husband's entrepreneurship and how you've been able to successfully grow your business. I think that's wonderful. It just kind of goes in hand with the rest of all of your colleagues in this room and in the viewing room, because this is certainly one of the proudest moments for Connecticut that we've -- with your passion and ingenuity, we're growing that industry and it affects so many other folks, from the retail end, the drivers, the wholesalers, and lots and lots and lots of jobs. But my question to you is do you currently use a distribution system or do you self-distribute?

MS. PUTNAM: So, we self-distribute for all counties except Litchfield and Fairfield, which we work with Sarene. And then we work with our partners up in Mass and Rhode Island.

SENATOR WITKOS (8TH): Okay. And so how long did it take you -- approximately what was the gallons or barrels that you got to that you felt that you needed to enter into the distribution system?

MS. PUTNAM: When we went to our -- I'm looking at my husband. Our seven-barrel system. But with that, though, what was is we were small and we wanted to have some assistance in those two counties that are very much farther away than what we would want. But we also wanted to share our brand with the whole State of Connecticut. So, we actually had
been in talks with them for more than a year and really developing a partnership. And I think that's the key here. We developed a partnership with them where we thought they could grow with us. And we're still super happy with them. I know there's other discussions on that that other partners will talk about. But it did take awhile to get there and really what it had been is the packaged product, to be honest, the cost to have a canning line, the cost to have additional staff. That only happened because we were able to sell directly in our tap room. Without that, I don't think we would've survived and we would've moved out of Connecticut.

SENATOR WITKOS (8TH): So, my first question was to try to get into that a little bit more. How close is the closest package store to your facility?

MS. PUTNAM: Yeah, .5 miles. I can run there.

SENATOR WITKOS (8TH): Okay. So --

MS. PUTNAM: Literally.

SENATOR WITKOS (8TH): If somebody was really impassioned and you said, you know, technically, the law says I can't sell you more than the nine liters, but you've been able to be in our tap room, you've got -- you could buy a flight, you could buy whatever. You've sampled it all. You know what you want. Go half a mile down the street and --

MS. PUTNAM: I kindly ask you to think about the last time you went on vacation and you were told to go to another place to get half of what you wanted.

SENATOR WITKOS (8TH): Well, that's why we're proposing to increase it under the current legislation.
MS. PUTNAM: But my point is, when I go to other breweries -- other states, and I visit a brewery, I'm never gonna go to a package store for that. I want to go there for the experience. I want to talk to the creator of that product. And that's the beauty of wineries. We're very close to Jonathan Edwards, Saltwater Vineyard. We work together. We're all in for the experience for the customer. We are in -- definitely mystic has a lot of tourism. And to be honest, when we have a customer that comes in from Mass., New York, they come in and they want to buy a whole case because they love this product, in particular, Dogs and Boats. We're right on the water. Why wouldn't they want a case, right? And we have to, like, oh, I'm so sorry; you can only buy four of those.

They walked out there, sat with us, and we're -- it's not our law. It's Connecticut law. But they don't get it and we are losing tax money that this state desperately needs.

SENATOR WITKOS (8TH): And I want you to give me a little bit more insight into -- once you've made that decision to go into using a distributor, what did you do for research? Is there something that you could look up to see if other folks in your industry have rate them for service or one of the things that may fall within the just cause element, a scorecard, if you will? How did you determine to use the one that you use?

MS. PUTNAM: They were a small, independent wholesaler. That's what we went with. We wanted someone that wasn't tied to Bud, Miller, Coors. That's why we went with them, because we want -- didn't want big money to be overshadowing our brand.
We wanted to be able to have someone that was just as passionate about our brand as we are and our staffs are. I mean, who sells a product better than the people who are manufacturing it? There's a reason that my husband and myself tend to go to these beer fests ourselves. Even after working 60-hour days, you might see us on a Saturday at a beer fest for charity, because that's what the customer wants. They want to hear us tell our story. So, that's why we went with that particular wholesaler, because we saw the same passion with them.

SENATOR WITKOS (8TH): And have you heard potentially, anecdotally, that there's been difficulties in getting out of a relationship with a wholesaler?

MS. PUTNAM: One-hundred percent. I've heard from other breweries in other states as well. And I know my husband, because we practiced our testimonies together, I know that he will touch on it. But the best way to kind of look at is we now, in the 21st century, are able to divorce our spouses if we needed to, because maybe it's not good for the other person. And with these franchise laws, unfortunately, it's kind of going backwards and saying you're stuck with them. You're their property now. And that's how it feels. It feels you're locked in.

And maybe we would've went with the whole state and signed with someone if we had the ability to get out of that contract if we felt like they weren't doing us justice. But because we knew we couldn't, we didn't want to give up our home base, which is the rest -- you know, our 50-mile radius, because that
would -- that could have the possibility to kill our brand and to kill our business as a whole.

SENATOR WITKOS (8TH): Thank you. Thank you, Mr. Chairman.

REP. D'AGOSTINO (91ST): Other questions? I think that's -- I want to just reemphasize that last point you just made, which is that the just and sufficient cause requirement, the restrictions that we place on getting out of the relationship actually impacted your decision making on getting into a relationship and your entire business scheme. And that's sort of an artificially imposed requirement on you through Connecticut statute.

MS. PUTNAM: Yes, 100 percent. I mean, when my husband and I looked at the risks we chose to go on a very different path because we had already heard about those stories and we wanted to be in control of our own destinations at that point in time. And if we had to work 80 hours, 150 hours, I don't care, we would sell that product because we just invested our whole lives into this brand. No wholesaler is ever going to say that about a small brewery that was only producing three barrels of beer.

REP. D'AGOSTINO (91ST): Representative Cheeseman.

REP. CHEESEMAN (37TH): Thank you, Mr. Chairman. Thank you for coming today and offering your testimony. You mentioned knowing of brewers who had a difficulty divorcing their wholesalers. Do you know what attempts they made to resolve the situation?

MS. PUTNAM: A lot of times those aren't something that they would be allowed to speak of sometimes.
They are out of state too, some of them. I do know that in Connecticut we have Shebeen. I don't think they're here today. But I'm sure if you reached out to them they'd be more than happy to talk to you about their experiences.

REP. CHEESEMAN (37TH): Because I understand your point, but I am sure if the wholesalers are distributing a successful brand, the last thing they want is to lose the use of that brand. So, I would hope it would be a two-way street. But, obviously, I'll reach out to the other. And I would be remiss -- I must admit I found quite distressing and disturbing your reference to naïve elected officials who are having their pockets lined. I will assert, if my pockets are being lined, I certainly hadn't noticed. I am sitting here trying to make a good faith effort to listen to all these conflicting reports and I do not take kindly to those words.

MS. PUTNAM: And it wasn't towards you. It happened to be a month ago; there were two proposed bills that would've killed our industry completely. And that's where we talk about being very small businesses. We talk about being able to survive. I honestly wouldn't have moved to this state if it wasn’t for my husband.

REP. CHEESEMAN (37TH): Well, I thank you for your comments, but that was not made clear in your testimony. So, I appreciate your concern. I appreciate your passion. As I said, I have three breweries in my district. I want them to do well, but I also want us to treat each other with respect and reach a solution that's going to be in the best interest not only of you, not only of the people in the three-tier system, but the people representing
you and the people in Connecticut. So, thank you again.

REP. D'AGOSTINO (91ST): Thank you both. That was great. Appreciate it. Thank you. Terry Dolan, Connecticut Beer Wholesalers.

MR. DOLAN: Good afternoon, Chairman D'Agostino, Ranking Members and distinguished members. I am Michael Dolan. I am here on behalf of Connecticut Beer Wholesalers Association. We join with the Wine and Spirits Wholesalers of Connecticut and the Connecticut Package Store Association in opposing House Bills 7183 and 7184, and Senate Bill 647. These bills, if enacted, would significantly alter the landscape of the alcoholic beverage industry, an industry that has its foundation in laws that have protected our communities, businesses and jobs for decades.

While modifications to these laws have been made, they've been carefully crafted and evolved over time to protect the public, businesses and the environment. The statutory laws and accompanied regulations, the enforcement of the laws and the practice of the industry within the industry form a stable and predictable set of laws that has allowed the beverage and restaurant industry to thrive in Connecticut. They create many small businesses that contribute to the fabric of our communities and employ thousands of people.

In addition, the current system provides a reliable system of revenue collection of the excise tax of over $60 million dollars that is essentially guaranteed to the state, as our wholesalers are required to be bonded and insured to ensure that these payments are made. And these payments are
made by the wholesalers before any of the products are -- leave their distribution centers. To jeopardize this system in our current economic climate would not be sound judgment.

In particular, House Bill 7183 is a bill -- it's a solution looking for a problem. Our current system provides many good paying jobs with benefits, protects the public, and allows a significant revenue stream to our state. In addition, --

REP. D'AGOSTINO (91ST): Go ahead, finish up.

MR. DOLAN: I will just -- I'll finish by briefly addressing Senate Bill 647. There is no -- there's no supplier too small that the wholesalers would not take -- would not work with. And there's also a reason why we've had this current system where we don't allow on-site consumption of alcohol such as at package stores, and we traditionally have not let the bars and restaurants have their customers make purchases for off-site consumption.

In addition, I would just like to make one point of clarification and address a comment that was made during the opening remarks. The Connecticut Beer Wholesalers did respond to the committee's request for information on Monday of this week and provided the requested material.

REP. D'AGOSTINO (91ST): Do you know what that was? Because I don't have anything from them. I mean, and if you've got it I'd like to see it.

MR. DOLAN: I have a portion of it in hard copy.

REP. D'AGOSTINO (91ST): Thank you. You can give it to the clerk and they can bring it up. I mean, what I'm hoping it is -- well, again, what we got from
Hartford Distributors was exactly what I was looking for. And again, all the committee members should have this. It's a list of each product, each subproduct, and each territory in which that product is distributed. This is a terrific piece of information from Hartford Distributors and it's what I would expect to receive the rest of the Connecticut beer wholesalers.

And if that's not what we have, I would ask for that, because as we're gonna get into sort of the core issue here, is with the territories. And I just want to -- at least a lot of this sort of derives from the territories. So, I just wanted to start with that.

MR. DOLAN: I believe that's what is provided. I haven't had a chance to review it myself. If that is not what it is, I will ensure that your request is followed up on and that information is provided.

REP. D'AGOSTINO (91ST): That would be great, because just to clarify it. And I think, and I'll ask Representative Rutigliano to correct me if I'm wrong here, I think part of the issue here that we're having and the big difference between you all and the wine wholesalers is that those exclusive markets and, as for example, we just heard when I want to sign up for a beer distributor to distribute a particular product in a particular part of Connecticut, I am locked into that distributor for that territory and I cannot, by statute, appoint a different -- putting aside whether or not I can divorce myself from that distributor. We'll get into that in a second. I cannot appoint a different beer distributor to distribute that same product in
that same area. If I am a manufacturer, I cannot do that. That's correct, right?

MR. DOLAN: That is correct. And there are a number of benefits with that including the collection of the returnable bottles, which the other alcoholic beverages aren't under that onus of having to collect those items. So, the territorial system fosters the collection of those bottles, and again, protects our environment.

REP. D'AGOSTINO (91ST): And it's true, isn't it, that the beer wholesalers have actually used that particular part of the statute, which we are considering changing, about the exclusivity. We hear a lot about it, at least while the testimony has been presented, sort of as -- this is a little sort of shield versus sword. In other words, they say we need those protections to prevent us from being preyed upon by out-of-state wholesalers and national chain -- national wholesalers coming in. It helps protect Connecticut businesses. But in fact, I'd ask you if you're familiar with a case called, *Latrobe Brewing v. The State* in which a manufacturer tried to do just this; to actually have a different distributor and a territory? And this is a 1996 case where the wholesalers objected, brought it to DCP and it went all the way up to court and they used -- they used the law as a sword. In other words, they used it to prevent competition. Are you familiar with that case?

MR. DOLAN: I am not familiar with that case.

REP. D'AGOSTINO (91ST): And that's kind of what I'm getting at here with some of these laws, is that whatever the concern is, and Mr. Cafero mentioned it in terms of if there's a concern with respect to
somehow a national distributor coming in. You'd agree with me, would you not, that that national distributor needs to be approved by DCP?

MR. DOLAN: Correct.

REP. D'AGOSTINO (91ST): Right. They need to comply with all state and federal anti-trust laws.

MR. DOLAN: Correct.

REP. D'AGOSTINO (91ST): And our unfair trade practices laws.

MR. DOLAN: They would have to do that.

REP. D'AGOSTINO (91ST): Right. So, there's a number of levels of protection for that. And if there is an additional need for a statutory protection to prevent that kind of predatory conduct from a national wholesaler, I think this committee is gonna be more than receptive to doing that and we would hear suggestions on language for that. The question that I've got, though, is wouldn't you agree that the just and sufficient cause language goes well beyond that and just sort of infects every aspect of the relationship and prevents, as we've just heard and I think we're gonna hear from other -- some of the other smaller manufacturers, prevents a divorce for what might be just business reasons, and now we've layered upon a that a statutory prohibition on the relationship being terminated.

MR. DOLAN: Well, I -- you know, divorce can happen, you know. It is not quite as -- the system is not that onerous. You know, it's a letter to Consumer Protection and it's a hearing within 30 days.
REP. D'AGOSTINO (91ST): Well, that's why I brought up the Latrobe case, because, yeah, you have to have -- you go through all of that process and then you wind up in court as well. I mean, there's sort of layers to this. And what we just heard I think was incredibly telling from this small Connecticut brewer, was that, in fact, because I know I've got to deal with layer of statutory protection, DCP hearing, and potential court action, it's actually impacting my decision making before I even get into the relationship. I mean, you heard that testimony.

MR. DOLAN: I did hear that testimony. I'm sorry she felt that way. I believe if she had discussed this with a wholesaler, she may have -- I encourage her to do that. You know, my group is happy to sit down with any supplier. And obviously, that occurred recently at the beer summit. And we're open to continuing the conversations that have begun. But there is no supplier who's too small. And her fears may have been allayed if she took advantage of the -- of an opportunity to sit down with a wholesaler.

REP. D'AGOSTINO (91ST): Now, I appreciate this is your, I think, your first time representing a group -- the group here, where I find it interesting that they -- you're an attorney in private practice, obviously.

MR. DOLAN: That is correct.

REP. D'AGOSTINO (91ST): I do find it interesting they felt the need to sort of lawyer-up for this hearing when they haven't in the past. So, you may not know the answer to this and maybe you can consult with your other folks who are here. But we've heard a lot about, again, this danger of
losing these Connecticut businesses. Do you know who Breakthru Brewing -- Breakthru Beverage Corporation is?

MR. DOLAN: I do not.

REP. D'AGOSTINO (91ST): Okay. They're a national distributor. Do you know if they own any of these Connecticut wholesalers?

MR. DOLAN: I don't know the answer to that.

REP. D'AGOSTINO (91ST): They actually do. They own CDI, and CDI is an affiliate of theirs and so is New England Wine and Spirits. Do you know if Northeast Beverage Company is a Connecticut incorporated company?

MR. DOLAN: I don't know that.

REP. D'AGOSTINO (91ST): They are not. Do you know if Rogo is a Connecticut incorporated wholesaler?

MR. DOLAN: No I don't.

REP. D'AGOSTINO (91ST): They are not. So, again, I hear these concerns about, oh, we're gonna lose these Connecticut businesses, and yet we have -- again, they've gone through a process. They've been approved by DCP. They've gone through -- in order to practice here they have to hire people here and have business -- have a distribution location here and a business location here. But I'm just -- I guess what I'm trying to highlight, obviously, is I think the concern is over blown in that sense. But let me pause there and turn it over to other committee members who may have questions. Representative Rutigliano.
REP. RUTIGLIANO (123RD): Thank you, Mr. Chairman. Just of note, I think a couple of them are just spirit, wine and spirits, that you mentioned and not necessarily beer. Just to be fair. I really only have one question. Does the statute allow for a prenuptial agreement between a brewer and a distributor? I thought while we were talking about marriage, so. Does it allow for that? Can they go in and negotiate, listen, I'm signing, but if I want to get out I'm changing the parameters. Or is the statute superseding?

MR. DOLAN: Well, I think the statute's silent on that, but I don't see why you could not contract that right away. I mean, you know, people are afforded the right to a trial and you can waive that right. So, I'm sure -- I'm sure if --

REP. RUTIGLIANO (123RD): Right. So, I figure it might be a better argument for your group and you saying -- listen, people can negotiate whatever they like. I mean, they can -- we don't have to agree to it, but they could try to negotiate, unless it's not allowed.

MR. DOLAN: I don't -- I'm not aware of any prohibition.

REP. RUTIGLIANO (123RD): Okay. Thank you, Mr. Chairman.

REP. D'AGOSTINO (91ST): Senator Witkos.

SENATOR WITKOS (8TH): Thank you. I just wanted to fair as well. The businesses that were mentioned, are those all located, the physical structures located in the State of Connecticut?

MR. DOLAN: The ones that the Chairman mentioned?
SENATOR WITKOS (8TH): Yes.

MR. DOLAN: I'm not aware of that.

SENATOR WITKOS (8TH): Okay. I think most of them are and they're all -- most of them I think employ folks that live in the State of Connecticut as well. But my question to you is what is your business model when you hear about a new brewery that's opening, a manufacturer? Do you go out there and try to attempt to meet with those individuals or do you wait for them to contact you or? Tell me about how that works.

MR. DOLAN: I'm -- you know, we represent a number of different wholesalers. I'm not familiar with the practice of each of the wholesalers and the minutia of the way they conduct their business.

SENATOR WITKOS (8TH): Is there a norm that you may be aware of done? If -- not being specific per individual wholesalers, but I'm just trying to understand, from an industry standard, do we wait by our phones and somebody calls us and says, hey, you know, I've been self-distributing for X period of time and I'm interested in seeing what services you could provide me. And then what happens at that time, during that meeting. Or do you reach out to somebody and say, hey, you know, I've seen your beer. We'll stick to beer. I've seen your beer. I've been into your tap room. I've tasted it and I like it. You know, do you have a distributor? Maybe we can have a conversation? I just -- I need to get a better feel from your perspective of how that arrangement works.

MR. DOLAN: I can provide additional -- a written response to that. I'm not sure exactly how the
individual wholesalers handle that. And I'm sure the individual wholesalers handle it -- each handle it differently.

SENATOR WITKOS (8TH): Well, Mr. Dolan, I have to tell you. I'm very disappointed that the distributors couldn't appear before us, at least on the list that I see right now, individually, to answer some of these questions. Your testimony, in my opinion, was to just keep everything the way it is without any changes. You testified against every one of the liquor bills that is before this committee. You don't want to see any updates to our liquor laws. And, to me, that's like saying if Minolta and Kodak said to Apple iPhone, you're not allowed to put a camera in your phone because you're gonna take away our industry. I mean, that's just - - that's what's happening.

That's keeping up with the world. And we're seeing it. We've nursed this craft brewery industry. We've nursed the distilleries industry, and now we're hopefully nursing the mead industry along with the cider and the winery, because the world changes and we need to keep up, but we make sure we proceed cautiously. And to come before this committee to say, "just no," means you don't want to be a partner in this and try to work to find a common solution. And that's what we're looking for, common solutions that we can get to an answer that might not make everybody happy, but we can move it forward and continue to grow our economy and the jobs that are presented before us. So, thank you, Mr. Chairman.

REP. D'AGOSTINO (91ST): Thanks. Other comments or questions? Just looking over what you submitted, I'd encourage you to go back and look at what
Hartford Distributors submitted, because they gave us, again, brand, but also linked to territory. And what I'm particularly interested in are the territories. I just I find it remarkable that we have this exclusivity system and that we prevent competition in various geographic areas. And this is at least in part indirectly embedded in our statutes. And yet, I can't get an answer, except, again, -- I want to again acknowledge Hartford Distributors. They provided exactly the response I was looking for.

And I would encourage the Wholesale Association to go back to its members, look at what Hartford Distributors did and provide us with that particular information that we need, that, frankly, we've never been given before. And if they're not willing to give it, we'll subpoena it.

MR. DOLAN: I will pass that message along.

REP. D'AGOSTINO (91ST): Thank you.

MR. DOLAN: Thank you.

REP. D'AGOSTINO (91ST): Representative Steinberg. There you are, Jonathan.

REP. STEINBERG (136TH): Good afternoon, distinguished Chair and Ranking and members of the committee. I am State Representative Jonathan Steinberg from 136th District. I'm very pleased to speak before you on liquor day. I will admit that when I heard about liquor day, it conjured certain expectations, and clearly I was misinformed. We're here today. I'm gonna cede my time shortly to a constituent business, to give you a little -- a change of pace and a little refreshing conversation.
We are very open-minded as we hope the committee is to change within the State of Connecticut. In fact, I'm hoping that a forum like today will lead to further conversations, maybe not explicitly with the committee, but among all the stakeholders, to talk about how if everybody is willing to sit down and listen to one another, we can bring about change under the assumption that maybe you have to give something to get a little something, and that perhaps we can serve the needs of a variety of different players in this sphere based upon just the point that the Chair made, which are things -- maybe it was the Ranking Member. Things are changing and we need to manage change rather than just forestall it.

So, without further ado I'm gonna pass it along and we're gonna change it up. We're not talking about beer or liquor this time. We're gonna talk about mead for a moment and the need for mead. And without further ado, I'll turn it over to Kenneth.

MR. JENKINSON: Thank you, Representative Steinberg, and thank you all very much for the opportunity to speak with you. My name is Kenneth Jenkinson. This is Julie Cook. We represent the Savannah Bee Company. We are a little -- a little bit of a different type of retailer. And I guess I was gonna start by asking, like, more or less of a different question. Like, I'm sure a lot of people in here have purchased a lot of goods online, and so when you -- you know, when you really think about it as a brick and mortar retailer, that is probably one of our biggest threats. And so how do you overcome online retailers as a brick and mortar retailer? And the answer is you actually offer them something very different. And that, to us, is an experience.
So, Savannah Bee, of course, honeybees are our passion. We work very, very closely with beekeepers all over the country. We try to bring our passion pretty much to the world and teach people about the crucial role honeybees play in our lives. And that's another thing about what makes our company so different, is we're not just retail employees. We consider ourselves educators of the public. We try to do our best to teach as many people about honeybees and the products that they provide all day every day, even when we're not even on the clock. It's kind of interesting.

Myself, I've been a beekeeper for about seven years and a mead maker for eight years. I like to joke around and say I got into beekeeping to offset the costs of my very expensive alcoholic hobby. But I absolutely love it. And the thing about our company is we have -- it's more or less a rich, interactive environment where the entire family can come. We have a place for children to learn about bees and you can come and taste honeys from all over. And it's not just honey. It's honey depending on where the bees collect nectar from.

And the reason we're here today is because we want to be able to sample mead out, because this is like another leg of our company. Most people don't know about mead and we want to educate the public about mead. So, we want to work a way to do, like, a type of tasting room. We know that we have had Nordic Moon up here giving testimony kind of to the same effect; only we would be a little different. We would be in a sense supporting them and other local Connecticut meaderies. We just want to get word out to people, have them more or less be able to come into our facility and taste honeys. They'll be able
to take this mead tasting course. They'll be able to try different types of meads from other meaderies and possibly, hopefully, be able to buy and purchase bottles so that they can take home and share that newfound knowledge with other people.

So, --

REP. D'AGOSTINO (91ST): Let me ask you a question just on -- while you're on -- so, one of the things we heard about in that prior testimony that I think might impact how we approach this is supply. I take it -- I gather there isn't enough sort of a natural Connecticut supply of honey, and from what we heard, there's different types that you want to bring in. Would it be, in your view, someone who's in the industry, too difficult or too much of a barrier to entry for the mead makers if we established some minimum threshold in terms of use of Connecticut-originated honey?

MR. JENKINSON: I think there would be some barriers due to the fact that, especially when it comes to quality control in mead making, you really need to use a type of honey called monofloral honey, so honey from one predominant nectar source. And not every flower grows here in Connecticut, so you do have to outsource from different areas in the country in order to meet that demand. Because honeys taste completely different, honey is not just honey.

And so, we're just trying more or less to be advocates for the bee and teach people why they're so important to us. And one of the big aspects of the honey industry is mead. It is a lost and forgotten art in terms of the alcohol world. It is pretty much the oldest form of alcohol, but it's
making a huge comeback. The mead industry has grown leaps and bounds just in the past ten years. It's kind of like the boon that the whole craft beer industry went through. But I feel like mead is a little bit more of like an upper class, like, higher alcohol because of the fact that it does come from honey and it's not cheap. But it is a little bit -- in my opinion, like, a little bit better for the human body. So, we --

REP. D'AGOSTINO (91ST): Yeah, we heard it was gluten free.

MR. JENKINSON: Yeah.

REP. D'AGOSTINO (91ST): So, if we set -- so, you would say even like a five-percent Connecticut-supplied honey might be too high of a threshold?

MR. JENKINSON: Well, again, it would -- depending on what the mead maker would want to make, that's kind of where you run into issues. Like, if they wanted to make, like, a wildflower mead, then that would be no problem because they'd be able to source wildflower honey from Connecticut. But if they wanted to get like a specific honey such as like tupelo, I mean, you can only find tupelo in an abundance in the southeastern portion of the country. And so you do run into issues where it kind of limits their creativity in a sense. Mead is incredibly diverse and incredibly variable in a sense that you can have it taste similar like beer, like wine, fruit juice, apple pie, ginger ale, cherry Coke. I can go on and on and it's -- there's a variety of flavors and tastes for pretty much anyone to enjoy.
REP. D'AGOSTINO (91ST): Yeah, we're still getting our arms around it and trying to learn about it and figure out how we can best support the industry. So, this is very helpful testimony. Let me ask if my committee members have any other questions about Senator.

SENATOR WITKOS (8TH): So, one of the questions we asked of the folks earlier, since we're trying to get down to just three manufacturing permits, is where would you like mead to fit into that? I originally thought it should go with wine and cider. But the other group that was before you thought they'd like the beer manufacturing. To me, that doesn't make sense, but. I don't know if you've had a chance to kind of peruse the different manufacturing permits. Where do you think, for your industry, the mead, would that fit best?

MR. JENKINSON: Well, so I would agree with Nordic Moon in the sense that there is less regulation I feel on the beer. And that's kind of why they were wanting to go that route, because it would be easier for them to sell it, distribute it, and at least have like tasting rooms and things like that. So, if there was a way to get similar regulation for wine. I mean, I personally feel it is a little bit more like a wine in terms of intoxication. But, you know, as far as trying to actually get permits and things like that, it's much more difficult being classified as a wine to go places, whereas, if it was classified as a beer, it's a little easier.

SENATOR WITKOS (8TH): Now, do our current statutes allow you -- so, can somebody buy it, like, off premise now?
MR. JENKINSON: So, I think we have -- there's like a farm winery bill that is gonna be -- it's like section 8 of the 7184, where you have to produce it from Connecticut specifically. And again, like that would be, I mean, a little different for us because we wouldn't produce it, so.

SENATOR WITKOS (8TH): Yeah, so -- I mean, if I was to go to your location, can I buy mead to take home with me?

MR. JENKINSON: At this point, no.

SENATOR WITKOS (8TH): No, not allowed. So, we allow -- we limitations on, right now, on spirits. We have limitations on wines. We have limitations on beers that you can take off premise and go home. What would be -- I don't think, although you'd like the least restrictive part on the beer side, you certainly wouldn't be selling 23 liters' worth of mead. So, it would probably fit more in line with cider and the wine at that point for off-premise sales. Correct?

MR. JENKINSON: Yes.

SENATOR WITKOS (8TH): And one of the things that we're contemplating, at least that I'm thinking about, as far as Connecticut produced, with those limitations, is if you want to use that for promotional materials, you have to have X amount of product from there. But as more and more breweries are being developed in our state and wineries, we just don't have that amount of natural elements to put into ours to get to that level. So, you can use whatever you want, you just can't use Connecticut produced in your title. To me, I think that's -- how do we relieve ourselves of a mandate, but use it
as a promo opportunity if you have that. And I think that's kind of where I'd like to see as we deliberate on this bill that's going. But that will get you where you need to be.

MR. JENKINSON: Yes. I mean, what we mainly want to do is to be able educate the public on this lost, forgotten, ancient form of alcohol. And one of the big things would be supporting local meaderies, having the public try their meads. And then just getting their name out there and helping them survive.

SENATOR WITKOS (8TH): Right. Well, thank you very much. Thank you for coming up today. Thank you, Mr. Chairman.

MR. JENKINSON: Thank you all very much.


MR. PHELAN: Good afternoon, Representative D'Agostino and all the members of the General Law Committee. My name is Tim Phelan, and I'm the president of the Connecticut Retail Merchants Association. I've provided written testimony for the committee, so I'll be brief. I know today's been a long day and you still have others behind me. So, as I mentioned, I've submitted written testimony and we'll summarize if we can -- if I can. Just for the record, as I mentioned, I'm Tim Phelan, president of the Connecticut Retail Merchants Association. We represent some of the world's largest retailers and many of the state's Main Street merchants.
I'm here today in behalf of a few of our larger retailers in support of Proposed Senate Bill 647. As you know, brick and mortar retailers have gone through a transformation in recent years, as technology has completely changed how customers shop. It’s critical that retailers evolve and change and respond to those new times. And it’s important that the state of Connecticut is supportive of those businesses as well. So, retailers are continuing to find new ways to get products direct to customers and to encourage them to spend their hard earned money here in our state.

One change we're hopeful this committee will continue to look at and support is to allow certain retailers who have large grocery offerings to be allowed to sell the full scope of products that traditional grocery stores can sell, including beer. More and more, families across the state are relying on retailers like Target and Wal-Mart as their one-shop convenience for all of their items. In this spirit, we hope this committee will continue to support the provisions in Proposed Senate Bill 467 that allow stores like these to be defined as a grocery store under Connecticut law, to be allowed to start sell beer in those stores. That's sort of a summary of my -- our request in support for these provisions of this bill and I'd be happy to try to answer any questions you may have.

REP. D'AGOSTINO (91ST): Representative Cheeseman.

REP. CHEESEMAN (37TH): Thank you, Mr. Chair. Thank you for coming today. I have a question. So many of these larger box stores are doing order online and pickup, how would it apply -- okay. I mean, certainly, grocery stores, stop and shop have
Peapod. What are the rules that govern ordering alcohol? Are you allowed to do that? If you do, do you have to show ID when you -- Representative Candelora had some very sound concerns about keeping this out of the hands of people who shouldn't have it.

MR. PHELAN: Yeah, that's a great question. I'm stumped. I -- yeah.

REP. CHEESEMAN (37TH): And I was just curious as to how that would work.

MR. PHELAN: Right, right. I know, Representative Cheeseman, on in-store transactions and the POS systems that are in place is easy. Online and pickup or delivery, I'm not exactly sure. I don't want to -- I could speculate, but that would be wrong, so let me try to find the answer and I'll get back to you.

REP. CHEESEMAN (37TH): Yeah, I would be very interested.

MR. PHELAN: I'm not sure. I know that in the request for the members that we're here on behalf of, that they do this in other states. So, I am sure the answer is readily available and I will get that and get back to you. I just don't want to give you the wrong answer.

REP. CHEESEMAN (37TH): No, I appreciate that. But I'd be curious because, obviously, we -- you know, if you're face-to-face there's, yes, you can check all those things. But I would like to know what the protocol is for something like that. Thank you, Mr. Chair.
REP. D'AGOSTINO (91ST): Thank you, Tim. If you could actually follow up on that that'd be great so we have that information.

MR. PHELAN: Yeah, that's a really good question. I mean, there may be, Mr. Chairman, I'm not particularly familiar with this area.

REP. D'AGOSTINO (91ST): We had -- I know the Target representative had some information on that, in terms of how they operate in other states, but I'd be curious to get some more information on that. That would be great.

MR. PHELAN: Yep. I'll certainly follow up on you.

REP. D'AGOSTINO (91ST): Other questions? Thank you, Tim.

MR. PHELAN: Thank you for your time.

REP. D'AGOSTINO (91ST): Representative Arnone.

REP. ARNONE (58TH): Thank you, Chairman, members of the committee. I here today have two representatives of our youth group in Enfield. My name's Tom Arnone. I'm a Representative in the 58th District of Enfield. We're here to speak on 7184, section 1, primarily, and I'm gonna turn it over to our youth representatives.

MR. ATIF: Hello and thank you for giving us the time and opportunity to speak here today. My name is Abdullah Atif.

MR. YANG-SHI: And my name is Cheng Yang-Shi.

MR. ATIF: And we are here as representatives of the Enfield Youth Council. The Enfield Youth Council is comprised of Enfield High School students who are
dedicated in working with -- who are dedicated in preventing substance misuse in our community. Oh, and we work in partnership with the Enfield Together Coalition, who share the same goal for our community. The Enfield Youth Council and the Enfield Together Coalition are working tirelessly to reduce access to alcohol by minors in Enfield.

And we have visited package stores to place stickers on paper bags, warning that it's illegal to provide alcohol to minors. We also have created public service announcements which remind parents that it is illegal to host underage drinking parties. And the ETC has funded compliance checks, using minors to try and purchase alcohol in restaurants and package stores, and providing a TIPS training for establishments that have failed the checks. These are just some examples of the work that we've done to reduce youth access to alcohol in Enfield.

MR. YANG-SHI: So, just last week, the Department of Consumer Protection, Liquor Control Division and the Enfield Police Department conducted a series of unannounced compliance checks on 23 package stores and supermarkets in Enfield. We are happy to announce that all 23 package stores passed the compliance checks, which is a great example of the success that we are having reducing access of alcohol in our community.

MR. ATIF: Oh. We are here today in support of the Proposed Raised Bill, No. 7184. Currently, a package store permit can be issued for every 2,500 residents. The bill increases that number to 5,000 residents. In our community, we currently have 16 package stores. That is not counting restaurants or grocery stores that serve alcohol. We know that we
mentioned that we had a 100% success rate with our most recent compliance check. That has not always been the case. Our past compliance checks have had a number of establishments fail, and a few of them failed multiple times.

MR. YANG-SHI: So, we know that every package store can increase the chances of our town's youth accessing alcohol. Surveys taken from 2017 of high school and middle school students reported that kids in Enfield are starting to consume alcohol at the young age of 13. Furthermore, over 30 percent of our 12th graders have been reported to have used alcohol in the past 30 days.

MR. ATIF: This proposed bill will reduce the number of future package stores in Enfield. The Youth Council would like to continue to have 100 percent compliance rates in our town and the proposed bill will help us with our mission to reducing alcohols in minors in our community. Thank you for your time.

REP. D'AGOSTINO (91ST): Thank you. I guess I do find it interesting from the committee's perspective that we heard a lot of testimony, kicking and screaming about it's a regulated substance, it's an addictive substance. We have to restrict access, restrict access and the package stores and wholesalers will do that. And yet no one testified in favor of this particular provision when we were talking about that, except for these young gentlemen, who obviously are not tied to any industry. So, I want to thank you for your testimony. Any questions for them? Thank you, gentlemen. Appreciate it. Thank you, Representative.
MR. YANG-SHI AND MR. ATIF: Thank you. Thank you.

REP. ARNONE (58TH): Thanks very much for your time.

REP. D'AGOSTINO (91ST): Aaren Simoncini, Beer'd Brew. Is that Beer'd Brew?

MR. SIMONCINI: Beer'd Brewing Company.

REP. D'AGOSTINO (91ST): And I see where it comes from.

MR. SIMONCINI: Absolutely.

REP. D'AGOSTINO (91ST): That's a nice job right there.

MR. SIMONCINI: I look like the logo, right? All right. Hello, my name is Aaren Simoncini. I'm the owner of The Beer'd Brewing Company, an independent craft brewer located in southeastern Connecticut. I would like to thank the esteemed members of the General Law Committee for their time today and allowing me to testify in favor of several of the measures proposed in both H.B. 7184 and H.B. 7183.

In order to get out in front of the cart today, I would like to begin by voicing my organization's support for the recommendations you'll be hearing today from the Connecticut Package Store Association. Through open and honest communication with our partners at the CT PSA, we believe that there are some measures proposed in H.B. 7184 that would negatively impact our homegrown package store industry and would like to urge you to consider changes based on their testimony. With that said, I would like to move on to what I consider today's most important topic, Connecticut's craft beer scene.
As many of you likely remember, I sat here on the urge of tears last year and spoke to the positive impacts my company has had on Connecticut’s economy and southeastern Connecticut in general. I would like to take a different approach this go round, as I believe you can't even look at the various news outlets or visit a single county in Connecticut without seeing and hearing about the positive impacts our breweries are having. Last session, our testimony was aimed at the removal of Connecticut’s arbitrary nine liter direct to consumer limit imposed upon our hometown brewing industry and this is once again the primary goal this session.

We’ve heard and will continue to hear from those opposing this measure that the sky is falling, and a move in this direction will destroy the sanctity of the three-tier system. I’m here today to tell you, that it will not, and I urge you to request actual evidence to the contrary from those who may oppose these commonsense changes. Better yet, look at the 37 other U.S. states not currently limiting their in-state brewers, and show me one where the system has crumbled or even suffered. The three-tier system was created as a protectionist measure when prohibition was repealed in 1933, 86 years ago.

What I would like to point out, is that in modern times, the narrative has been flipped and once signed with a Connecticut -- a wholesaler in Connecticut, whether they go to work for your brand or not, it’s more difficult and likely more expensive to dissolve the relationship than it is the one I have with my wife. As such, small brewers simply must invest in growing their brand via their own retail channels, and the limit imposed on direct to consumer sales by the state is the biggest
impediment to success via this strategy. We have lived the narrative, brewing only 100 barrels of beer in year one, and despite these detrimental limits, having just opened a second facility being on track to brew 9,000 barrels annually, six years later. I place our success squarely on our limited ability to retail direct to consumers and self-distribute. Further, I assert that this growth would have been more rapid had we not been required to turn down masses of willing customers already visiting our tiny facility in Stonington.

I would like to add that as we've grown our brand, we have recognized the value a wholesaler partnership adds, and currently service Fairfield and Litchfield Counties via a distributor relationship that fits within our business plan, a path many growing Connecticut breweries will ultimately take when the time is appropriate. I thank you for your time and consideration today, and welcome any questions you may have.

REP. D'AGOSTINO (91ST): Nicely done. Do you have a sense of how many employees you might be able to add if --

MR. SIMONCINI: So, we've just gone through a fairly large expansion. It's been stressful and we currently employee 23 -- sorry. Twenty-three employees of which eleven are full-time and we have plans to add about another ten, as soon as we open to the public at our second facility.

REP. D'AGOSTINO (91ST): That's terrific. In terms of hiring, I'm somewhere curious as to how you determine who to hire. You know, we heard a little bit about it. It didn't seem like -- you've
obviously got a little bit more of an operation, so.

MR. SIMONCINI: Sure. So, ultimately, I spoke to this fact last session, the craft beer industry is one of grassroots specifically here in Connecticut. And as such, being a youth entrepreneur, it's important to me to be able to hire those who may not have had the same ability to go to school as I did. So, we're hiring people from our towns. We're hiring those may be retired and just are looking for additional work. We're hiring those who may be just a driver. But they all add value and it's important to kind of visit the field and give back to the community I was raised in.

REP. D'AGOSTINO (91ST): That's terrific. Great. We're glad to hear that. Questions from committee members? Senator.

SENATOR WITKOS (8TH): Thank you. You're so passionate about your company. I think -- I was trying to remember last year. I think you only had nine employees when you and your wife testified. So, congratulations. That's fantastic. A lot of the debate is concerning, when we talk about limited versus unlimited, is kegs. And I'm not there to say, yes, for kegs, but I want to get you to where you need to be, to where the average person would buy what they want to buy. So, I opt for two full cases of the 16 ounces. That's, personally, what I support, because I think -- I don't know if the average consumer comes in and asks -- would be asking for more than that. Because that's generally a considerable dollar amount that they have to out lie.
In your experiences, would the 23 liters get you to where the majority of what your customers are asking for out the door?

MR. SIMONCINI: So, ultimately, based on the testimony my wife provided earlier, based on the number of people who have responded, which is just about 300 in the last week or so, they've all said that they would like to fill out the case, at very minimum. With that said, we do get a lot of out-of-state tourist traffic, especially being in southeastern Connecticut, and as such, you know, they've gone on a beer road trip, as bad as that may sound. They've gone on a beer road trip and they visited breweries either in the State of New York on the way north, in 95 to Massachusetts and they've been walked out the door with hand trucks full of beer.

Now, I'm not advocating that unlimited is, you know, the ultimate goal here. You know, we need to be commonsense about speaking with the other parties. We just kind of want to come to the table and come to a reasonable adjustment. And I applauded you last year and again for revisiting it this year, the incremental changes, so that things may be measured. You know, statistics and outcome are important and I think that while, yes, I'm asking today for unlimited, I believe that this is just a placeholder for a further conversation.

SENATOR WITKOS (8TH): I thank you for that and I look forward to working with you and your industry as we move this legislation forward. Thank you. Thank you, Mr. Chairman.

REP. D'AGOSTINO (91ST): Thank you. Other questions? Thank you very much. Thank you.
MR. SIMONCINI: Thank you for your time today.

REP. D'AGOSTINO (91ST): Phil Pappas, Connecticut Brewers Guild.

MR. PAPPAS: Co-Chairs Sen. Fonfara, Representative D’Agostino, and members of the General Law Committee. Thank you for the opportunity to submit testimony in support of, provide insight and suggestions for S.B. 647, House Bill 7184, and House Bill 7183, specifically seeking to increase the direct to consumer limits for off-premise consumption, keeping the current exemption for Connecticut breweries from paying an excise tax for on-premise consumption sales, and modernizing our alcohol laws.

My name is Phil Pappas, the executive director of the Connecticut Brewers Guild, the leading organization in protecting and Connecticut craft breweries. I'm joined today by Curt Cameron, president of Thomas Hooker Brewery. Mike Teed from Black Pond is our vice-president, who, unfortunately, had to go back and start working the brewery.

We are eagerly looking forward to working with the State of Connecticut leaders, the General Law Committee, wholesalers, distributors, retailers, restaurants bars and of course our breweries in making necessary, positive and impactful changes to our industry. The experimental and creative nature of craft beer is what made this industry explode, keeps it exciting and brings our customers back to our places of business. We currently operate over 85 tap rooms, employee nearly 5,000 people statewide, and produce over 166,000 barrels of beer.
In comparison nationwide, Connecticut breweries rank 29th in total number of breweries, 26th in breweries per capita, which is per 100,000 21 adults, 29th in beer production, 28th in economic impact, and 27th in excise tax rate, simply middle of the road. One discouraging area where we rank at the very bottom is the limit on direct to consumer sales. Including D.C., we currently rank 48th, only ahead of Alabama, Rhode Island, and South Carolina, by the small margin of 0.12 gallons, which is less than one 16-ounce can. Our breweries lose sales and the state of Connecticut loses taxes every single day due to this low limit because we are forced to tell our customers they legally cannot buy more. And collectively we lose revenue to out-of-state breweries every week.

Our neighboring New England states including New Jersey, New York, Massachusetts, Vermont, Maine and New Hampshire do not have any limits, or much higher limits. So, it’s time we make changes in order to attempt to compete with these states. The added benefits of increasing direct to consumer sales limits will only continue to add to the massive economic impact that our industry has on our state, allow our breweries to reinvest in our businesses, create more jobs, increase our total production, increase tax revenue for the state, provide more beer for distribution, and simply sell more of our product.

The current exemption for Connecticut craft breweries from paying excise tax for on-premise consumption sales is an integral part of our growth. In December 2017, the U.S. Congress passed legislation that included a two-year provision of the Craft Beverage Modernization and Tax Reform
Act, which lowered the federal excise tax for breweries by half. Through a survey that the Brewers Association conducted to find out how the breweries used their FET savings, they found that 73 percent of breweries increased their economic development by purchasing new equipment, upgrading their tasting rooms and breweries, and/or moved to upgraded buildings.

Fifty-four percent of breweries hired new employees at an average rate of 2.7 people per brewery. So, that answers that question that we had before. Forty percent of breweries increased their employees' benefits by raising pay, offering or expanding their insurance and retirement benefits. Eight-six breweries responded that they would be more likely to make capital investments and hire new people if the current federal excise tax rate was made permanent. I'll be attending in D.C. in June to make that federal excise tax rate permanent with my constituents from brews guilds across the state -- across the nation.

One of the items in S.B. 647 that we support is the restructuring of the on-premise liquor permits, specifically the manufacturer for beer and brew pub license. The Connecticut Brewers Guild supports changing all our breweries' permits to fall under that manufacturer for beer and brew pub license. We strongly believe and advocate that the language in this permit remain the same as it is written today, specifically allowing manufacture, storage and bottling of beer, the sale of beer for on-premise consumption, and the retail sale of alcoholic liquor to be consumed on the premises with or without the sale of food.
Connecticut Brewers Guild --

REP. D'AGOSTINO (91ST): So, it's that last part, obviously, that I'd ask you to comment on, which is -- and Representative Rutigliano is not here, obviously, but --

MR. PAPPAS: Yeah, I couldn't answer -- probably --

REP. D'AGOSTINO (91ST): Let me channel him for a second.

MR. PAPPAS: Yeah. So, and --

REP. D'AGOSTINO (91ST): You know, which, I think just to sort of set the issue, obviously. It's that part of -- well, okay. Let you sell your beer. Maybe let you sell a Connecticut wine, a Connecticut cider, but do we -- are we really comfortable with allowing a full tap room through the mechanism of that permit when a restaurant has to go through a whole separate permitting process.

MR. PAPPAS: Yeah, absolute. So, I can comment on that for you. So, right now, where the brew pub license is at $400 dollars, our manufacturer for beer and brew pubs sits at $1,600 dollars. So, that would increase all -- we have about five breweries who are under the brew pub license, so that would bring them up to everybody equaling around that $1,600 dollar permit. I would never expect -- and I appreciate the Restaurant Association's comments before and I've been working with them over the past few weeks to discuss these issues. We do not expect special treatment.

We expect to go through the same permitting and same regulations that they currently go through, and for -- I agree and I believe that the
manufacturer for beers and brew -- beer and brew pubs should be able to sell everyone else's products with the wineries, cideries, distilleries, and now meaderies, to all sell Connecticut products. I think that's great for our state to just promote one another. And if any brewery or brew pub is interested in selling out-of-state products that they would go through what the restaurants and the bars go through. And I fully support that and would not expect any other treatment in any other way.

MR. CAMERON: If I could answer that. I have a brew pub manufacturing license at our facility at Colt. I also have a class-4 restaurant license. So, we currently -- I hear these comments about staying in our lane. We play by the exact same rules that a restaurant plays by. So, I was a little confused. Now, if we have breweries out there that are selling food without a proper license, I think we're the first ones to say that they should have, you know, the law come down on them. But the idea that we have some kind of special privilege, I don't completely understand because I have the health department come in, I pay the same taxes. Yes, we provide out-of-state products, but it's under the same rules and regulations that a restaurant does. If anything, we have more because we also have the FDA that has control over us as well for the production of our product.

REP. D'AGOSTINO (91ST): It's important to hear. I think it is that narrow area where you may have someone who is -- because the way our statute reads, it allows the sale of alcohol under that particular permit that you may have somebody not
getting the restaurant permit and selling Bud. I'm not sure why I understand somebody would actually do this if you're manufacturing a particular beer. But technically you could open up a full bar. And I'm pleased to hear you say how you operate. And I think what we're hearing from the guild is that you're willing to work with us in terms of how we structure this to make sure there is that -- that we've addressed those concerns, but also still allowed you guys to thrive.

MR. PAPPAS: Correct. And operate in the same way -- in the same capacity that we are right now.

REP. D'AGOSTINO (91ST): Do you know how many -- I think this is just -- as we're doing this I think we want to make sure that we're not putting anybody out of business. We're gonna have to require something more of them, but how many in the guild are -- do not have a restaurant license but may be operating more of a full bar type atmosphere in terms of selling multiple products that are not just their own?

MR. PAPPAS: Yeah. So, we have -- and I can kind of talk about the type of permits. We have five breweries that are under the brew pub license, just that one alone. The rest of the breweries, the 80, have the manufacturer for beer and brew pub. The one -- out of those 85 breweries, I am working to find out how many offer other products. A lot of it I will say, from my personal -- I think I've spent a lot of my time at breweries. It's my job. And, you know, the opportunity to sell cider and wine, some people --

REP. D'AGOSTINO (91ST): Connecticut.
MR. PAPPAS: Connecticut. Yeah. And some out-of states, some California wine. You know, that's just people, their preferences in there. And I will attest that those sales only make up a very small portion of their overall. There may be two percent to three percent of their total sales are coming from these other products. So, it's the ability for the breweries to offer options for people who may not like beer. That's our job. Is literally to have these people come in and turn them into a craft beer drinker and we've been starting to do that and change the demographic over the past few years.

MR. CAMERON: Yeah, nothing to add to that. I mean, it's -- if we can be candid, I think there's one or two breweries out there that also provide various other alcoholic beverages. And I think that's -- that's maybe -- I think those are outliers. I think that maybe we do have to address some of those things, but I think that's what the Restaurant Association's, you know, concern is, and, you know, we don't disagree that it's a concern.

MR. PAPPAS: And one last comment that I'll make regarding that specifically is that through the manufacturer for beer permits, the five that are out there right now, I want one. I want one. There is a minimum that the breweries have to produce. They have to produce at least 5,000 gallons per year. So, I would like to at least just address that publicly. Because when we're talking about the scope of our businesses, we do need to at least be producing at 5,000 gallons of beer every single year to maintain our current...
permit. If you don't, you'll be subjected to the Liquor Control Division to lose your permit.

REP. D'AGOSTINO (91ST): Senator Witkos, I know you want to follow up on that.

SENATOR WITKOS (8TH): Yeah. Thanks. And I just wanted to kind of go back a little bit about how, you know, we do play catch-up, but some of it's not the legislature's fault in that we thought when the craft brewery just first started, nine liters would get you a full case of 12-ounce cans. But then a fad or whatever it was, a preference, we moved to the 14 or 16-ounce cans, so it fell short. And I hope that you get that. You guys made a great point about addressing that. I think both pieces of legislation look to correct that problem.

But I think when we wanted to help the beer industry out, the craft beer specifically; we said you didn't have to pay the excise tax. But at some point I think when you grow -- you've gotten through your infancy stage and now we've got to get to a point where we say, you know, you're producing X amount of gallons or X amount of barrels, however you quantify it, now is a time that you should start paying the excise tax if we're on an even playing field, because restaurants and bars pay the excise tax, because it's already paid for when they get it. So, I would be looking for some suggestions from your industry to say, you know, we believe that once a craft brewery hits X amount, whatever that happens to be, it's not a baby anymore. It's taking its steps and now they can start paying, whether we phase it in or something like that. But I don't - I think we need to close that loophole to be fair to everybody.
MR. PAPPAS: Yeah. So, I believe that if we need -- the breweries will start to -- start paying excise tax for on-premise consumption. Incurring that extra cost is scary for people right now when we're seeing the Brewers Association and the Craft Tax Reform and Modernization Act looking at cutting the taxes in half to save the breweries money. I believe that that money that they're able to do, like I stated before, is going to be reinvested in their businesses and every single one of our breweries' goals is to get to distribution, to get through our three-tiered system. So, if we start to incur costs, whether it's at the beginning or after a certain amount, you're kind of playing that, well, we're kind of delaying our ability and where the point of us signing on with the distributor will come. And so, I believe that our efforts should be towards providing the breweries everything they can to get into the three-tiered system.

SENATOR WITKOS (8TH): All right. But we've also heard that some folks may never -- maybe their business model is that they don't want to use the distribution system. They'll self-distribute themselves and just use their own employees to do that. I say that on the heels of Governor Lamont's bill to cut the excise tax in half. So, it may end up being net neutral at the end of the day.

MR. PAPPAS: And that is why we are advocating for a higher increase in direct to consumer sales. Because if we only go by -- up by a few cans and we need to start paying excise tax. If that elimination does goes away, then be a wash. And so we're very excited that the Governor was able to
put in a reduction of excise tax, mirroring the federal excise tax rates.

SENATOR WITKOS (8TH): Listen, as a Republican, any time we can reduce taxes in this state I'm all for it. But if we -- we pay the excise tax on the product that goes out the door. We just don't pay it on the gallons that is consumed in the tap room.

MR. CAMERON: Yeah.

SENATOR WITKOS (8TH): And how do -- if we're talking about parity and equality, as we've heard a lot about in the hearing today, how do we address the fact that folks that are on -- if you're in a tap room you're on retail as far as I'm concerned. If you're in a bar or a restaurant, those bars or restaurants have paid that excise tax on the product they are serving, but you're not. So, how do you, understanding that you're trying -- we're trying to help grow an industry. And I would be looking for -- you guys are the experts in that field, so I would be looking for some assistance in saying -- because every business is gonna be a little different, but there should be a general sense, okay, once I get here. I'm guessing most of it will get passed on to the consumer anyways. But what is a good kick in? I know nobody wants to pay taxes. But I think in using the fairness and equity, we have to look at it.

MR. CAMERON: I'm gonna break ranks and say I agree with you. I think that we have to take a closer look at excise tax, though, because we can compare the Connecticut excise tax with the rest of the nation. We're on the --
MR. PAPPAS: Twenty-seventh. We're in the middle of the road.

MR. CAMERON: So, maybe it's a tiered approach so that people that are a little bit more mature have a larger burden of that tax. I don't have the answer for you. But hearing a lot of testimony today, creating level playing fields, I think that -- I think that's fair.

SENATOR WITKOS (8TH): To be honest with you. We've got to try to work together, all the parties involved, and reach some kind of a compromise because I'll tell you right now, if -- you know this is what -- you see what happened last session. If certain parties don't agree to certain things then nothing happens. And I'm not willing to go this legislative session without anything happening, because there's some things I want to do with you guy and so I think we've all got to -- if we're asking for suggestions, you may not like it, but I'd rather have your industry offer some suggestions than us coming up with -- us lay people coming up with it on our own.

MR. PAPPAS: Yeah. And I'd like to -- yeah, I'd like to have for that as well.

MR. CAMERON: Absolutely. And at the end of the day, Senator, if we can sell additional product out of the tap room, that'll cover the cost of an excise tax.

MR. PAPPAS: Yeah. And we've been tremendously looking forward to working with not only the General Law Committee, but our partners across the state. And we've been, you know, having these ongoing conversations and we've been very upfront
about setting up a smaller -- a small group meeting. We have yet to hear back on when that -- my calendar -- I'm freeing my calendar up. So, I'm readily available to have these conversations and looking forward to having them, not only with the General Law Committee, but wholesalers, distributors, restaurant associations, and everybody, package stores, all of our partners in this three-tiered system and through our state.

SENATOR WITKOS (8TH): Thank you, Phil. Thank you, Curt. Representative Cheeseman.

REP. CHEESEMAN (37TH): Rep. D'Agostino asked me to take over. I don't mean to usurp your role. Do any of the members have any further questions for these gentlemen? No? And I appreciate your willingness to entertain collaborative efforts, because as the Senator said, we want to achieve something and it only works well if everybody gets in the room. If everybody ends up equally unhappy then I think we've reached a good deal. So, thank you very much. All right, next on the list is Mark Dibella.

MR. DIBELLA: Good afternoon, members of the General Law Committee. My name is Mark Dibella and I'm here to testify in favor of House Bill 7184, specifically section 10, which would allow out-of-state wine retailers to ship wine to Connecticut residents. I am a registered lobbyist; however, today, I come before you as a consumer and wine enthusiast.

Access to rare, low-production wines produced outside the United States can be a challenge. As a consumer, when I can't access a wine, it usually falls into one of three categories. First, it just
isn't sold in the state. A wholesaler may not carry a producer or certain wine in the producer's portfolio. I understand wholesalers have to make business decisions and it's impossible to carry all wines from every producer, but as a consumer it's frustrating not having access to a wine I drink. A second scenario, in some cases Connecticut receives small allocations. It could be as few as one bottle. Many of these wines are rare and often expensive; however, demand far exceeds supply. Thus, consumers look to other markets where the wine is available for sale. Third scenario, a wine is available in Connecticut; however, the importer or wholesaler requires the retailer to purchase a laundry list of wines, many of which the retailer doesn't want because they will be very difficult to sell. In order to get a small amount of the wine, they have a buyer for. So, although a wine may be available in Connecticut, your local retailer really doesn't have access.

A few misconceptions - One: Passage of section 10 in House Bill 7184 will hurt local package stores. People buy local when possible and our retailers just don't have access to many of the wines I've described. Thus, if they're not selling them now, allowing Connecticut residents to procure them from out-of-state retailers has no impact on their bottom line. Keep in mind, shipping wine is expensive. Connecticut residents are much more likely to drive across the border to Massachusetts to save a few dollars on the tax. I would argue that this affects instate retailers more than allowing out-of-state retailers to ship in. If passed, this would lead to a revenue gain for the state as it would now have the ability to collect
the tax from sales of out-of-state retailers to Connecticut residents.

Two: Allowing out-of-state retailers to ship to Connecticut consumers is a challenge to or an assault on the three-tier system. Wines purchased from out-of-state retailers go through the three-tiered system. For better or worse, the three-tiered system isn't going anywhere and passage of this language is no threat to it.

Three: Passage of this language will lead to an increase in underage drinking. I've seen no claims that the changing of the law in '05 to allow out-of-state wineries to ship in has led to an increase in underage drinking and I don't see why this would be any different.

In closing, at its core, this issue is about consumer access. Without access you have no choice. The committee has received hundreds of emails from residents throughout the state expressing their frustration with current law and asking for a change. When available, Connecticut consumers will buy from their local store. But when they can't get what they want or the quantity they desire, why should they be barred from purchasing a legal product from a licensed retailer in another state? It doesn't make much sense. Wine enthusiasts hope to work with this committee and interested parties to find a resolution to this problem. Thank you for your time and consideration.

REP. D'AGOSTINO (91ST): Thank you, Mr. Dibella. Certainly the -- speaking for myself, I'm sure everybody's gotten those emails and the passion we've seen from the supporters of this. Do you
have -- I know you've spoken with some of the wholesalers. We are aware of the current scheme. I don't mean that pejoratively, just the current statutory scheme that allows this kind of -- "allows this to happen now." But it's through DRS and our understanding is that the way it's been interpreted by DCP is you actually have to go to a California vineyard, for example, or to the product in order to have it shipped into Connecticut, and then have the whole excise tax issue taken care of. I think what you're proposing and supporting here and what we're talking about is something much more streamlined that would just simply allow, correct me I'm wrong, just a limited amount of purchases from Connecticut resident for particular wines that they can't get here.

MR. DIBELLA: Yes. So, basically what that language would do is just mirror the -- Public Act 05-274 basically created an out-of-state winery permit. So, back in '05 that language was done. I mean, I believe it was in response to the Granholm, you know, Supreme Court case. But it's basically an out-of-state retailer would have to meet all the same requirements that out-of-state winery does currently. And let me just say, just to respond to something quickly.

I heard Mr. Hughes earlier talk about 9,000 wineries in California, I think that if allowed to ship in Connecticut residents would somehow decimate our package stores and. You know, they can do it now. So, you know, as long as they register and pay a fee, annual fee, and then remit the tax to DRS. They've been doing it since '05. So, that's not new. But what is being proposed here would be to be basically just do that but
allow, for lack of a better term, another permit for an out-of-state retailer.

REP. D'AGOSTINO (91ST): And of course the additional gloss on that since then is the Supreme Court case, the Amazon Tax Case, which requires the out-of-state retailer to collect and remit the Connecticut sales tax. That didn't -- that previously was a hodgepodge.

MR. DIBELLA: Correct. But an out-of-state retailer right now won't be doing that because they're not legally allowed at this point to do that, so. But in essence they would then remit to DRS, you know, that tax. That is correct.

REP. D'AGOSTINO (91ST): Representative Rutigliano, do you have a question?

REP. RUTIGLIANO (123RD): Thank you, Mr. Chairman. So, just in the same vain that the Chairman was asking about, how would Connecticut collect the taxes? How would they be paid?

MR. DIBELLA: So, it would be just the way the wineries do it now, which they register. And don't hold me to it, but I want to say it's about -- I think it's $315 dollars a year that they pay annually just to have the ability to sell to Connecticut consumers and then they are responsible for collecting the tax from Connecticut buyers, and then they remit it to DRS.

REP. RUTIGLIANO (123RD): So, you're talking about a sales tax or an excise tax?

MR. DIBELLA: Yeah, the 6.35, yes.

REP. RUTIGLIANO (123RD): The sales tax?
MR. DIBELLA: Yes.

REP. RUTIGLIANO (123RD): So, what about the excise tax that all the other liquor brands, beer and everybody pays to operate here in Connecticut? How would they collect the excise tax?

MR. DIBELLA: And this just deals with wine, so I can't speak to spirits.

REP. RUTIGLIANO (123RD): But, I mean, everybody pays an excise tax. It's part of the rules.

MR. DIBELLA: Yeah. I can't just tell you that, without looking at my invoices that aren't in front of me, that anyone who's on a winery list in California, Washington, you know, you name it, whatever state, included in that they do charge you tax and --

REP. RUTIGLIANO (123RD): They charge you sales tax.

MR. DIBELLA: They charge you tax and then they remit it.

REP. RUTIGLIANO (123RD): But if they don't remit it to the state, though, does the state have any legal authority to go get it?

MR. DIBELLA: I can't -- I can't tell you that. I'm sorry.

REP. RUTIGLIANO (123RD): Okay. Is there anything -- if we pass it as written, is there anything to stop the package stores or anybody from bypassing the three-tier system and just buying direct from the wineries for sale, for retail sale?
MR. DIBELLA: My understanding -- well, if you're talking about -- if you're talking about domestically produced, because there's definitely a different between, you know, wines outside the country because they really have to go through -- they don't do direct, you know. So, if it's domestic you're talking about, in that same 05-274, I believe they also enabled wineries to ship direct to retailers as well in there. But I don't have that in front of me. I don't know how to answer your question.

REP. RUTIGLIANO (123RD): Okay. I was just curious, because it would clearly be illegal. Sort of like the stamp on the back of the cigarettes. But I don't know if we were supposed to be making it easier if it could be done. So, I was just asking a question. And how do these websites -- I'm not familiar with them. I know Representative Cheeseman is looking it up now as she's sitting here. How do they control whether or not who gets a delivery, I mean, underage, meaning? How could they possibly do it?

MR. DIBELLA: In statute it says that it must be signed by someone that's like 21 years of age, so.

REP. RUTIGLIANO (123RD): Okay. Well, that's good.

MR. DIBELLA: It's part of the -- there's like ten bullet points in there. If you read through and that's one of them -- that should be one of the requirements. It's got to say it contains alcohol, the whole nine yards.

REP. RUTIGLIANO (123RD): Sure. That's a good thing. And would there be a limit? Is there any
limit to the amount of wine that could get shipped in or whatever to an individual?

MR. DIBELLA: It would be under the current winery provision now, which is I believe it's five gallons in a 60-day period, which roughly works out to --

REP. RUTIGLIANO (123RD): In a six-day period?

MR. DIBELLA: Sixty, 60. And that relatively works --

REP. RUTIGLIANO (123RD): Oh, 60. Okay. That's a lot of wine.

MR. DIBELLA: It is. But --

REP. RUTIGLIANO (123RD): I appreciate that. I probably should be more -- a little --

MR. DIBELLA: It works out to about two cases. Just to give you an idea.

REP. RUTIGLIANO (123RD): I probably should be more familiar with the -- I guess I'm confused, because you sort of can do it now. Right?

MR. DIBELLA: Well, that's where it's so tricky because there's a difference between a retailer and a winery, by the law. You know, I think that are some out-of-state retailers that will still ship to folks in Connecticut. But most of them, when you call and you say I'm from Connecticut and I want to buy a bottle that I can't source here, will say I'm sorry, you know, we can't ship to Connecticut.

REP. RUTIGLIANO (123RD): So, was there any consideration given to sort of treating a package store or some other thing, almost like an Amazon lockbox thing, where you have it shipped to a
package store and then you just go pick it up and they would be the collector of the taxes and all that other business?

MR. DIBELLA: Oh, I don't think there's been any. Not that I'm aware of. I would guess that a package store wouldn't really be interested in, you know, adding another, you know, layer for them to do. But I think as a consumer, all that means to somebody like me is it's just gonna be another layer of cost that goes on top of the good, you know, to get. So, I mean.

REP. RUTIGLIANO (123RD): I understand. I appreciate you testifying. Thanks for answering my questions. Thank you, Mr. Chairman.


REP. D'AGOSTINO (91ST): Senator, thank you. Senator Leone.

SENATOR LEONE (27TH): Thank you, Mr. Chairman. Actually, I think Representative Rutigliano, being so astute, caught the last part of my question, which is there a limit on if this were to go forward, or should we consider -- and you mentioned that there is. But then should we revisit whatever that limit is to make sure that it's managed in the proper way. I guess that would be my follow up question to whether there's a limit or not.

MR. DIBELLA: Yeah. And again, it was just -- it was really mirrored on what wineries are able to do now. I mean, you know, keep in mind, when you ship wine it's especially heat sensitive, so there are only a handful of months a year that you're
shipping wine, so. I know it says in those 60 days, but, you know, you're not shipping wine May, June, July, August, September, or even when it gets really cold. There's a really small window kind of in the fall and in the spring where you would -- you know, if you're a buyer or a collector or wine enthusiast, where you wouldn't want your wine being shipped in July because it's gonna bake and it's gonna be no good.

SENATOR LEONE (27TH): And thank you for that. And even with that, I guess the cautiousness that I may have is that with the limits, especially when you're dealing with someone, a producer like California that is such a bigger industry than we are -- it's great if you're going for bottles that are limited or are hard to get. But if all a sudden you purchase only from them because you don't want to go to the local package store for whatever reason, now you are taking away business. So, I -- that's the reason why I asked on limitations or considerations for tweaking the limitation. I just didn't want it to become so convenient that that becomes the new norm and the only norm.

MR. DIBELLA: Right. Let me say this, Senator. I completely agree with you. The reason why I said people buy local when possible, I would have to guess -- obviously, it's not my business, but I would guess that the average bottle of wine that's purchased in a package store or wine shops may be, you know, $12 dollars, $15 dollars, something like that, you know, a ballpark. For an everyday, you know, wine, you're gonna go home and drink that night, and there would make sense to -- you know, in some cases it would cost you just as much to,
you know, to ship that bottle than to buy it. So, you know, those sales and purchases, I mean, those aren't the kind of, you know, if you're being smart about it, right, aren't the kind of purchases that people would be taking advantage of, you know, with this, because it is very costly to -- it's not inexpensive to ship a bottle of wine from California or wherever it's coming from to the State of Connecticut, even if it's ground or. You know, if it's next day, I mean, it can get really expensive.

SENATOR LEONE (27TH): Great. Thank you. Thank you, Mr. Chairman.

MR. DIBELLA: Thank you.

REP. D'AGOSTINO (91ST): Representative Cheeseman.

REP. CHEESEMAN (37TH): Thank you, Mr. Chair. Thank you for your testimony today. So, my question is. The contention is that this would be restricted to hard to get wines, hard to source wines into Connecticut. Is there some sort of demonstrable proof required? And the reason I asked, carrying on from what Senator Leone said, I'm looking at the website Wine Insiders, and you mentioned people aren't gonna buy a $10 dollar or $15 dollar wine and get them shipped to them. We select hundreds of wines from all over the world. Your exclusive price $6.99, free shipping. If we open the door and say, fine, you can buy a case a month. What is to stop -- and I'm sure DRS and everybody could track them down, but I suspect if you don't have to demonstrate that, by the way, these are really collector's wines that I can't get anywhere else. I'm just curious as to how this would be structured. Because in theory, I think
it's a good idea, but the devil is always in the detail.

MR. DIBELLA: Mm-hmm. So, for example, talking about a California wine let's just say, there are wines that you can get on a list. Let's just say that, you know, every year when they introduce a certain type of wine, you know, they're shipped to you. And those are wines you can purchase in Connecticut most times from your local retailers as well. So, I don't want to say I look at this kind of the say way, but, you know, we've been allowing this for the better part of 15 years. And the short answer to you, I think, is that is there any way to 100 percent, you know, say that, the way this is written, that, you know, someone could order something that might be available, you know, here in Connecticut where they could get from their local retailer? No, it's really difficult to do.

I mean, I can tell you that -- you know, my first thing -- and you start -- you get to know your retailers, right. I mean, if you're kind of a passionate wine person and you buy some harder to find stuff, you just know that there are certain retailers that have relationships with certain wholesalers and you just know that, you know, you go to them for certain stuff or another retailer who has a good relationship with somebody else. You know, that's a little easier for them to find. But other than that, you would just basically do an online search. There's a site called Wine Searcher that a lot of people use and it's a paid site, but it's also -- you can do it for free, but it doesn't give you quite the details you're looking for that way. But, you know, it's really hard to know, you know, exactly if a bottle of wine is in the State.
of Connecticut or not because -- it's just it's very difficult.

So, I guess the short of it is, to be 100 percent honest, you know, is it possible that someone could buy something online from a retailer that, you know, would pay to ship here to Connecticut and it be available in our marketplace? Sure, that's possible.

REP. CHEESEMAN (37TH): Thank you. And as I say, I do know I think, certainly, if the premise of this bill is to allow Connecticut residents to import wines they can't ordinarily get by going to retailers out of state, it's perfectly valid. If this then opens the door to I'm getting a case of wine a month at $6.99, you know, it's not fine wine, but it's the kind of wine I would buy at my package store and it's being delivered to my door.

MR. DIBELLA: Sure.

REP. CHEESEMAN (37TH): And provided I or my, you know, above -- some other family member is there to sign for it. I haven't paid sales tax. I haven't excise tax. And I don't even have to put, you know, extra gas in the car, so.

MR. DIBELLA: Sure.

REP. CHEESEMAN (37TH): Thank you very much. Thank you, Mr. Chairman.

MR. DIBELLA: Thank you.

REP. D'AGOSTINO (91ST): Just for the benefit of the committee, I did ask DRS to weigh in on this proposal, to get input from them both on the sales tax -- I think, to further your question on the
excise tax, it may be something that we're foregoing. But certainly on the sales tax, I asked DRS to weigh in on whether and how they expected that to be collected. So, more to come. Thank you very much, Mr. Dibella.

MR. DIBELLA: Thank you very much.

REP. D'AGOSTINO (91ST): Nick Conti.

MR. CONTI: Good afternoon. Thank you for allowing me --

REP. D'AGOSTINO (91ST): Hit the button. There you go.

MR. CONTI: Here we go. Thank you. Good afternoon. My name is Nick Conti. I'm a Berlin resident and I am a package store owner. I have four stores. I have 23 years of beverage alcohol experience here in Connecticut and I have a unique perspective that I'm hoping to share with you today. For eight years I was a supplier, the first tier of the three-tier system. I worked for the largest wine company in the world. My specialty was pricing. I priced products through the three-tier system direct to the consumer. At the time I was a supplier, one out of every five bottles of wine sold here in Connecticut was priced by me.

I am here to talk about why increasing the ten percent -- I know this has been covered. But just hit the -- put the -- continue to hit the point home. Selling -- increasing the ten percent items below cost is a work-around to the current pricing laws; a tactic that benefits only the few, predominantly larger stores out of -- large out-of-state stores looking to eliminate the competition,
the Connecticut small package stores. They are trying to change the laws to create a war that only they are equipped to win.

Allow me to briefly illustrate how complex and unique Connecticut is compared to the rest of the country, and specifically in regards to pricing. We are a case one, bottle one market, which simply means the maximum you have to buy is one case and the minimum you have to buy is one bottle. There is no discount for a larger quantity. And this is important. It prevents larger suppliers and larger brands from monopolizing retail purchasing dollars and limiting selection to the consumer. It evens the playing fields for smaller suppliers, smaller brands, like Armada, like Hartford Flavor, like small suppliers and small wholesalers here from Connecticut. It becomes more about quality, selection, knowledge, service, the experience, and even community involvement instead of price.

Minimum or posted bottle commonly referred to as "min bottle" is simply bottle cost. The wholesale cost a retailer or restaurant would pay for just one bottle. If a retailer chooses to purchase wine or liquor by the bottle, they can not sell that item for less than they paid for that bottle. Beer is completely different than wine and liquor. Beer bottle cost and case cost are identical. The example would be Bud 30-packs are $21.99 and a retailer can sell them for $21.99.

The proposed changes would facilitate predatory pricing strategies to be used against and drive out smaller competition. Selling below a cost in no way enriches the lives of our consumers, our communities and it does not create for a fair
market for small business in Connecticut. It's Connecticut's current complexity and uniqueness that encourages the family-run small business across all three tiers to exist and thrive. The current system rewards our long hours and hard work with the privilege of making Connecticut a great place to live and raise our families.

We've all made significant sacrifices and most importantly financial investments. I've just recently acquired a couple of new stores in Connecticut. But it's based on the security of the laws that govern our industry today. Changing those laws without our input or expertise, jeopardize our security in the long run. I hope to answer some questions for you all. I invite all of you to come down to one of our stores, my store. Mark has a nice store as well. I don't know where he went. And I hope all of you have some questions.

REP. D'AGOSTINO (91ST): Questions? Representative Ackert.

REP. ACKERT (8TH): Thank you, Mr. Chair. And thank you for being here. So, you recently -- so, in the past you wouldn't have been able to -- one item in the bill I asked earlier was about the expansion from five permits to ten.

MR. CONTI: Right.

REP. ACKERT (8TH): So, earlier, I believe, we couldn't even -- you couldn't have five, right? You couldn't have four, right? You could have how many permits?

MR. CONTI: It was two.
REP. ACKERT (8TH): Two permits, right. Then we went to five.

MR. CONTI: Right.

REP. ACKERT (8TH): Gave you the ability to get two more. Would it be -- and I know that there, you know, there one is definitely saying. So, would you be interested in purchasing more if they bumped it up higher than five? Would that be something that would, you know, the smaller, buying up the local, you know, your, I want to say your competition next door when they came up for sale kind of thing? Is that something that would -- you know, maybe it's not ten. Maybe it's eight or something. But in terms of having permit holders, is it something that your five is good or expanding it for your opportunity? You look like you're a growing businessman.

MR. CONTI: Thank you. I'm at four now. I don't know that I could expand any further than this. I've experienced some deficiencies, where having multiple outlets, between labor and other expenses. But I don't have the financial wherewithal at this point to grow any further than that. The bill as it's written, to me, seems to benefit people that do have infrastructure and they appear to be outside organizations that are looking to come into the state. We're one of the last markets in the country that doesn't allow this to happen, and that's why I think small business has been able to thrive.

REP. ACKERT (8TH): Okay, thanks. Because I knew -- yeah, I knew it was two at one time and then expanded. And it sounded like some folks took the opportunity for -- to do that. So, I just was
curious as to someone that did; what your thoughts were. So.

MR. CONTI: I am challenged by four, right now. I'm actually also afraid -- I have to admit, I'm afraid to expand beyond four. I just recently acquired a store in December and I kind had hoped that there wouldn't be -- we wouldn't have to come up here every year to fight to keep -- to maintain the status quo, if you will, because I made so much financial investment into what I have currently. Being here now, and I appreciate this opportunity, but I'm a little nervous to go any further than this.

REP. ACKERT (8TH): I understand. I think that one thing that I've said since I've been in this building is that Connecticut is unpredictable, rather than being predictable. As a business owner, you know, you want to have predictability. You want to have a five-year plan. You want to have a plan that you know the rules are set whatever it may be, whether it's a tax structure or a business structure. So, I completely understand, you know, for somebody that would continue to invest and as a business owner that when I, you know, market, what is going to be my hurdle or my benefit in the future. So, you guys have been doing some hurdling lately. So, thank you for being here.

MR. CONTI: Thank you.

REP. D'AGOSTINO (91ST): Senator.

SENATOR LEONE (27TH): Thank you, Mr. Chairman. Thanks for your testimony. Along the same line of questioning in terms of the expansion. So, you
said you're at four. You're not interested in doing five at the moment because you have some constraints that are somewhat difficult to manage. So, on the reverse of that, if this were to expand and others were to buy more and they were able to go from five to six or to seven, whatever, would that have an impact on your businesses if someone else was able to expand their business in, say, a neighboring area where you are at the moment?

MR. CONTI: Yeah, I would have to think that it would. If they're able to weather the storm of pricing and so forth if anything like that was to change, and if they're able to flank my stores and drive price down to try to drive me out, I think the competition would be difficult to compete with. If there were more stores, that they were able to expand and cost or expenses, have more influence on wholesalers, get the items that Mark was just referencing that I'm unable to get, increase their selection. I mean, I would think it would be an advantage over me. And right now, I don't see any local business owner that's gonna expand any further based upon the uncertainty that's going on with current law.

SENATOR LEONE (27TH): Great. Thank you. And just -- in your test -- as you were laying out your testimony you piqued my interest, but I didn't see it here in our hands. Did you submit written testimony?

MR. CONTI: I did not.

SENATOR LEONE (27TH): If you don't mind, if you could make sure you get a copy to us through the clerk or even if you send it electronically that
would be helpful, so that it would be part of the record.


SENATOR LEONE (27TH): Thank you. Thank you, Mr. Chairman.

REP. D'AGOSTINO (91ST): I was gonna ask the same thing. I think -- the minimum bottle is not before us today, but I think it would be useful to have a conversation with you all about the pricing because it's something that I do want to -- again, I asked different people different things and I get different answers. And some day we're gonna have a hearing here where everybody's under oath on that topic, quite frankly. I'm only half kidding. But I guess I do have, obviously, a little bit of different perspective on it. I'm still not quite understanding the -- I understand the concerns that were raised earlier about the SKUs verses the items, and clearly we don't want to create a loophole where we've got dozens if not hundreds of products being priced below minimum. That's not the intent.

Currently, we allow the one. We're talking about maybe expanding that to a certain number, whether it's ten or something between one and ten. But put that aside. Let's say that that doesn't change. All right? And we still have -- we have the current minimum bottle of pricing structure and one item below minimum bottle. I'm still not understanding why allowing somebody to own seven stores instead of five is gonna drive you out of business. I understand you may not want the competition, but I'm not sure why, as a state, I'm here to protect you from that competition. But why
-- why does that -- how is that gonna put you out of business if somebody wants to own seven stores as opposed to five?

MR. CONTI: I understand the question. It -- it's a situation where if the laws did change down the road and someone does have multiple locations, and I would have to think that those folks would be out of state, larger retailers. They would be better positioned to take advantage of the new laws and then put small business, like myself, a Connecticut guy, you know, on my heels, potentially cut into my business easier. I think it's like the first step to the laws continuing to change by allowing folks to have ten, five, ten, twenty licenses. It's just the natural progression. If we can't change min bottle, well why don't we get ten licenses and when we do change min bottle, we'll be better positioned to go after the Connecticut package stores. That's my concern.

REP. D'AGOSTINO (91ST): All right. I mean, I get it. I do continually hear the slippery slope and it's just I've heard it so many times it doesn't -- it's starting not to resonate with me. But I understand. I certainly understand the point.

MR. CONTI: May I just add one thing? And I appreciate that very much. Because I know that you folks had asked for hard details or some data. I think it has been shared during the proceedings today that there is some data that is applicable to I think what you're asking and what some others may have asked earlier. From the states of Tennessee, Washington, Florida, Maryland, things that we've touched on today have actually occurred. Laws have changed. Expanded to more licenses. Expanded to
less license per capita, more license per capita. Allowed chains to come in, things of that nature. And what's happened in those markets is it has affected small business dramatically.

And I think that folks that are there, and if I remember correctly to quote some of them, they think that -- they wish they could have taken it back. They didn't have the hindsight to see what would actually occur. I believe that was shared with all of you. Right?

REP. D'AGOSTINO (91ST): Yeah. I think the appropriate comparison would be a state that has minimum bottle that did these things. Because, again, what we're talking about here -- and I appreciate your concern is that that may change down the road. But as long as that remains inviolate, what we're talking about is whether somebody's got three stores or five stores or eight stores, they can't undercut you in price. That's the whole point of minimum bottle, to -- and again, I feel compelled to say this - to the detriment of our consumers. I appreciate that you guys have your business aspect of that and we've talked about protecting businesses.

MR. CONTI: Right.

REP. D'AGOSTINO (91ST): You are not talking much about consumers in the state. And that is part of what motivates us here as well, is the voice of the consumer. And I'm trying to find a balance between that. So, that comparison -- if there's a comparison to a state with minimum bottle, I would certainly be interested in seeing it. Let me just ask you one sort of other follow up question about the -- or comment -- ask you to comment on. Again,
we're talking -- we keep hearing about, oh, they're out of state, they're out of state. I mean, ultimately, of course, if you're gonna buy a Connecticut business, you're operating in Connecticut. Your hiring Connecticut people, you're got a Connecticut store, you're paying Connecticut tax, you're going through the whole system that we've got created.

So, really, the issue, I take it that you're raising, is that the money should not go to somebody who owns the store who happens to live out of state. Okay, I mean, I get that. But when we talk about an out-of-state purchaser, they're still operating in Connecticut with Connecticut employees and Connecticut revenue, you know. So, again, I -- and I guess thing I'd ask you to comment on is this isn't a one-way street. There's got to be members in your industry, friends of yours, who may want to sell, all right. I mean, it's a two-way transaction. And somebody may want to buy eight licenses, but somebody's got to be willing to sell too, right? And so, what if -- if some day you've got those four -- you've got four stores. You want to get out of the business and monetize your investment. And the only person willing to buy four stores has already got four, but they can't. You can't sell. Is there -- do we have a reaction to that and why should we prevent that from happening for you down the road?

MR. CONTI: That's a good question. I never -- you know, something -- I think to address the first thing you had mentioned as far as out-of-state people hiring people here in Connecticut. I know we've talked a little bit about club stores having beer and so forth and so on. Just as an example
and I'm glad you brought it up, if we do lose -- and the information that was shared with everyone does talk about club stores and so forth, getting beer in grocery stores, getting wine. There was a loss, a definitive loss in revenue to the local small business, local liquor stores, if you will, in those communities. And the jobs aren't replaced in some of these retailers. They're just -- the revenue's just absorbed, you know.

Some of these -- and I will say big box stores, I don't even know if they would open up another self-checkout for consumers. So, I understand that sometimes consumers do think that convenience should over -- you know, should trump everything. But we are talking about alcohol and it is a regulated item and for good reason. And there is a lot about what's in our state already. And I can appreciate what you're trying to do, because I do hear you looking to protect small businesses as, you know, suppliers and wholesalers and breweries, and that means a lot. And I just want to call attention that, you know, we're the small retailers.

You know, as far as selling four stores down the road, you know, I hope not to even be in the position to want to sell my four stores. I plan to stay here. I have three kids, you know, I'm raising them. And I enjoy what I'm doing right now and I hope to retire in 20 years and then have to cross that bridge when it comes to it. Maybe selling them individually would be better -- more beneficial anyways as I'll probably receive more revenue that way, a better sale price, but.

REP. D'AGOSTINO (91ST): Fair enough.
MR. CONTI: Other questions?

REP. D'AGOSTINO (91ST): Thank you. That was good. Appreciate it.

MR. CONTI: Thank you all.

REP. D'AGOSTINO (91ST): Doug Rankin.

MR. RANKIN: Chairman D'Agostino and Ranking Member Witkos, and members of the General Law Committee. Thank you for hearing my testimony today. I'm gonna try my best not to sound like a broken record because I have been here the last five or so years, speaking up for my small business and the small businesses in the state. It's something I feel very passionate about. And like some of the previous speakers, it resonates with a lot of you and it resonates with a lot of us.

Connecticut has a very unique wine and spirits industry and I deal with suppliers, small suppliers, all around the country and around the globe, and when they come to Connecticut, they are elated to see what an exciting, dynamic, thriving industry we have here. And it's hard to imagine at first. When I got into the business, I heard all the knocks about the three-tier system and you can get the impression, until you're really in the industry, you can get the impression, well, if there's a minimum bottle then there must be an inflated price and the consumer is taking it on the chin. After being in the industry now for 15 years, I don't agree with that assessment at all. I think the committee that was formed a few years ago that talked -- that looked at what all the causes of the potentially higher prices on certain items in neighboring states, excise tax was the
main culprit. And most people are not going over the border to buy liquor unless they're really -- well, that's a whole other subject and I won't even touch that right now.

What I'm here to tell you is, we are a small business and we have a network now. We've been in business -- my wife and I started this eight years ago, and we now have over 200 customers. We have seven employees. The first time I testified here it was just me out there humping a bag around the state and trying to get people interested in what I sell. What I sell are the small, boutique craft wines that you normally don't see in markets that have been destroyed by the big box stores and they're all over the country. We are one of the last, happily, one of the last states that really does have a diverse economy and it's because of the laws we have in place.

And I'm all for improving things as long as it's not at a net deficit to the state. And if we start meddling with the laws in regard to these ten to twenty brand items at ten percent below min bottle, and I don't know any business that wants to sell below what they could make unless they were doing it to strategically put other competitors out of the business and they have the means to do. I don't see why anyone would want to do that.

And then the higher number of permits. That can invite a, really, only large-monied, out-of-state, largely, institutions and then you have all these wonderful -- I think we have somewhere around 1,200 to 1,400 package stores in the state. They pay taxes. They employ people. They are a part of the community. It sounds trite and -- may I just --
fifteen seconds to wind up. Is that okay? And it might sound trite, but really it adds so much to the communities and the people that come out of state to come work with us in the markets and sell their small wines, they are elated to see what a great marketplace we have and they're, like, wow, this is just not happening around the country. You've really got something good here. And that is -- that's the truth as I see it sitting right here at the desk. So, thank you.

REP. D'AGOSTINO (91ST): Representative Rutigliano.

REP. RUTIGLIANO (123RD): Thank you, Mr. Chairman. I'll be brief. I was a member of that liquor competitive task force that you're referring to. And I'm glad you brought it up because, you know, I kind of forgot. It's been so many years now. That we did look at all the -- why Connecticut's booze prices were low -- were perceived to be higher and everything. And by the time we were all said and done, we realized that if not for the excise tax that we're putting on certain booze, our prices were lower than most of the surrounding states. When we looked at quantity discounts, which everybody thought was such a great idea, our case bottle one price was the same as case 40 in New York. So, we actually did a pretty good job. And about crossing the border, why are people going to Massachusetts to buy beer? Well, at that time they were doing it because gas was 35 cents cheaper a gallon and while they were up there they were grabbing a six-pack.

So, what also, if I remember the task force correctly, Connecticut has a robust alcohol market. I think between us and Maryland we had 40,000 more
SKUs, meaning products available, a different variety available to the customer just because of the system that we employed. So, I wanted to take a minute and -- I'm sorry. It's been a long day for Mr. Chairman. To thank you for reminding me that there were some good points to how we operate and how we conduct ourselves, so.

MR. RANKIN: May I piggyback on one thing you said?

REP. RUTIGLIANO (123RD): Please.

MR. RANKIN: So, the part of - so, there are about, I think it is -- I heard this figure from a pretty good source, but, and we can look on the state site, 137 distributors in the state. And you've got the large ones. That's about, you know, less than a dozen, and they do drive the lion's share of the business here. But there are a good 100-plus of us small, family-owned distributors that really are bringing the craft wines. And I'm gonna piggyback on that because we are all celebrating the craft beer industry in the state and it's dynamic and it's awesome and people are talking about it all around New England. Not just in Connecticut. And we have that with wine.

You do not have craft wine, meaning small production, interesting, like these pet-nats. These are sparkling wines that people are really looking for now. And they're interesting. They're neat. They come from France, California, Oregon, and eventually they'll probably be made here in Connecticut too. And people want to find those. You do not find those in Arizona, in Florida, for the large part. Most of those stores are gone that will sell those. Here, you've got a real -- I mean, the Tourism Bureau should lauding how diverse
our industry is here. But it is very threatened by the two -- several of these propositions in these bills and I really ask you to tread cautiously.

REP. RUTIGLIANO (123RD): Yeah. I agree with you. It was the system that we employed that allows us to have the variety we have. So, I think we should all remember that, and thank you for reminding us.

MR. RANKIN: Thank you.

REP. D'AGOSTINO (91ST): Other questions? Thank you very much.

MR. RANKIN: Thank you.


MR. BONANNO: Good afternoon, Mr. Chairman and members of the committee. My name is Vito Bonanno. I'm a business agent and vice-president for Teamsters Local 443 in New Haven, Connecticut. I'm here today presenting testimony on behalf of our principal officer and secretary-treasurer, Salvatore Abate. We at Local 443 proudly represent more than 2,300 working men and women in the Greater New Haven area. I'm here today to testify against House Bill 7183.

Our union was formed shortly after the repeal of prohibition. We currently provide transportation and delivery services for alcoholic beverages to hundreds of package stores throughout this state, as well as bars, cafes and restaurants. Our employees protect the public's interest by assuring the safe and secure transportation of alcohol products. We are proud of our record of protecting workers' health and safety and the negotiated wage
and benefit packages our members employ -- enjoy. I apologize. Our Teamster brothers and sisters every day make significant contributions to the state's economy and support the towns and cities we live in.

House Bill 7183 is clearly an attack on the three-tier system of alcohol regulation, a system that has safely and responsibly supported the lawful trade practices of the liquor industry in our state for over 80 years. The bill would undermine the system and open it up to predatory practices of large, out-of-state corporations that have little or no concern for the average working man and woman in our state. Consolidation of the industry by these corporations will inevitably lead to the closing of small mom and pop package stores, less product availability, and a marked decrease in employment, and not just for Teamsters.

As Connecticut continues to struggle and thrive and grow its economy, this bill would lead us in the wrong direction. I have heard no arguments from our members or the general public about the need to reform Connecticut's franchise law. This bill is about an effort by the national conglomerates to profit by stifling local competition and eliminating jobs.

Members of this committee, the system isn't broken so why are we trying to fix it. We asked you to join us in opposing this misguided bill. At this point, I'd be happy to answer any questions possible. Unfortunately, I do not represent the liquor industry. I work primarily in health care. So, I'll do the best I can to answer any questions
regarding this. Otherwise I could have questions answered in writing by Mr. Abate.

REP. D'AGOSTINO (91ST): Yeah, I -- look, I think the question is I'm not sure I understand why the drivers, the folks who actually are employed, are concerned about us getting rid of the just cause requirement for wholesalers. Unless you've been told by the wholesalers that if we pass this bill, the sky will fall, and they will lay off people.

MR. BONANNO: Yeah. I think I'm gonna regurgitate the slippery slope that's come up before. But the primary concern, based on my understanding, is the potential for consolidation and the loss of mom and pop shops, at which point, it's fewer stops, less inventory, which means fewer drivers. And that's the aspect of this we're concerned with.

REP. D'AGOSTINO (91ST): Sure. Well, 7183 is just concerned about the wholesaler and the ability for a manufacturer to terminate them on with or without just cause, and whether to consider that, and whether we're gonna allow, for example -- and I would think this would be of interest to you all. I'm gonna ask you to go back and think about it. Would be would we allow on the beer side what we allow on the wine and spirit side, which is if you want to appoint an additional distributor for beer in a territory, you can do that, which is more routes, more traffic, more drivers.

So, I guess all I'd say -- I guess my -- but I'd ask you to go back to your membership with just a caution to ask us if they've got concerns about the bill, to think about it a little bit further, and maybe not believe the sky is falling, the sky is falling, from the wholesalers on this. We're
actually thinking about this in a fairly reasonable manner. And ultimately, as I said, the goal here is not to remove wholesalers at all, frankly, it's to increase that distribution network, increase more choice for the manufacturers, none of which we anticipate will impact the number of people who are doing your job. Whether they're an out-of-state wholesaler or in-state wholesaler, they're going to need you to do that and we want to continue that.

MR. BONANNO: Thank you.

REP. D'AGOSTINO (91ST): Question? Other questions?

SENATOR WITKOS (8TH): One of the things I'd be interested in hearing from your organization is -- and I tried to get the answer from Mr. Nolan, who was representing the beer distributors. And your drivers are in these locations every single day. I'd like to hear from them any anecdotal evidence or stories that they're hearing from folks that they're having difficulty with their distribution, the supplier, and they want to switch and they're unable to do that, or they have, you know, have a great relationship. The supplier is in here all the time to help him promote the product. It's an excellent relationship. Because, you know, we're trying to make decisions based on something we don't -- we're not getting the facts yet. So, anything that you could help us to try to determine is that really a problem or is that not a problem and the system is currently working.

MR. BONANNO: Thank you, Senator. I will submit the question and get the answers to you.

SENATOR WITKOS (8TH): Great. Thank you.
REP. D'AGOSTINO (91ST): Thank you.

MR. BONANNO: Thank you. And again, I apologize for not being able to answer that on the spot.

REP. D'AGOSTINO (91ST): Other questions? No, thank you. Other questions? Thank you.

MR. BONANNO: Thank you.


MR. EDWARDS: Good afternoon, Representative D’Agostino and distinguished members of the General Law Committee. I'm Jonathan Edwards, owner of Jonathan Edwards Winery in North Stonington, Connecticut, also the president of the Connecticut Vineyard and Winery Association, which is a group of 24 wineries in the state. And together our farms comprise over 1,500 acres of open space. Let me get my glasses. There we go. And our businesses host over half a million visitors per year. We feel that we are an important part of not only Connecticut’s beautiful landscape, but also its local economy. On behalf of Connecticut Vineyard and Winery Association, I would like to offer my support of H.B. 7184, specifically section 9 -- subsection 9.

This subsection would allow wineries to sell Connecticut craft beer or cider in our tasting rooms. As the law currently stands, Connecticut wineries cannot sell beer, but many Connecticut breweries can sell wine. Our wineries receive frequent requests for beer from our visitors, and people are often very confused as to why they can get wine in breweries’ taprooms, but not the other
way around. Opening up this product line would attract more guests, certainly. It would enhance the local craft and wine industries and definitely generate revenue. As I said, we have over half a million visitors per year, and this -- by adding beer and cider to our menus would inject even more money into the local economy.

We also have some kind of funny instances where, and for example, we have a wonderful winery, Jones Family Farm in Shelton. They sell blueberries to a local brewery and they use them to make a popular blueberry beer. And then the brewery sells Jones' wines in their tasting room, but the winery cannot then sell the beer that their product is in their tasting room. So, we're basically looking for parity between these industries. And we recognize that the craft beer industry is booming, and that's fantastic. We are all about it and all the jobs that it generates.

But the Connecticut wine industry is somewhat stagnant in the terms of the number of wineries. We haven't had any new wineries in a few years. We're about 40 or so just peppered throughout the state. And we are very distinct from breweries in the fact that we are actually farming the land. Okay? So, I mean, I'm not knocking the beer industry whatsoever, but take 2018, for example, and if you were hanging around the autumn last year, it was cold, it was wet, it was dank. It was not a good growing season for us.

And so, you have real difficulty with production when you have the uncertain factors of the weather. And in the beer industry, of course, you can just get some more hops and get some more barley and get
yourself another batch of beer and turn that around in about a month. Whereas in the wine industry it can take you certainly a year to get your wine into the consumer's hands, and if you're starting out as a winery, it can take you four or five years in which to get your product to marketplace.

So, it's -- there's definitely a difference between these industries. And I'm not trying to necessarily separate them. But we are a small industry and we are not attracting the attention, many of us, of the distributors. And we've had a -- I've been sitting here for almost six hours and listening to a lot of the debate. And whereas the breweries are starting to get some of this attraction from some of the distributors, many -- most of the wineries are selling the majority of their product right there in the tasting room. And so, yes, we're getting all these consumers coming to us and we have a huge risk in terms of the agriculture that other industries don't have.

And so, by being able to bring some other Connecticut craft spirits or -- not spirits, but beer and cider in, that would help our offerings and that would definitely help our industry because we tend to attract a lot of women. Women tend to drink more wine. That's just sort of how it is. And they definitely have their boyfriends and their husbands and whatnot, and they tend to want beer or cider. And that would be a great offering for us and that would help us to sort of remediate some of that risk that we have with the weather that other industries aren't facing. Thank you.
REP. D'AGOSTINO (91ST): Let me see if anybody's got any questions for you. Okay, go ahead, Senator.

SENATOR WITKOS (8TH): If we were to adjust the laws to allow the wineries to sell beer, that would -- in my opinion, it would be for on-premise only. You would be okay with that?

MR. EDWARDS: Yeah, that's what I'm talking about, on-premise.

SENATOR WITKOS (8TH): Okay. Thank you. Thank you, Mr. Chair. That's the only question I have.

REP. D'AGOSTINO (91ST): Is there other questions? It's a subject of some debate, but, yeah, we understand what you're asking for. Thank you, sir.

MR. EDWARDS: Thank you very much. Thank you for your time.

REP. D'AGOSTINO (91ST): Jim Melillo.

MR. MELILLO: Good afternoon.

REP. D'AGOSTINO (91ST): Good afternoon.

MR. MELILLO: I'm here to represent the wineries and also that flag to your left. So, if you'd all turn to your left, what you'll see is a flag full of grapevines and grapes. That flag actually comes from 1644 when it used to have 15 grapevines. You guys cut it back to three. We've been expanding since then. Winemakers here have bought several thousand acres. And all the information we're gonna give you; you have in a packet over here. During the last ten years, we're the fastest growing agricultural portion of this state by far.
More than aquaculture and everything else you can think of. In addition to that, we've saved 2,000 acres of agricultural land and put it back into reducing the carbon footprint in the state as well as the world. We spend between $2 million dollars and $4 million dollars per vendor. Most of the people up here that are making products are in the hundreds of thousands. We used to have between and five and ten times. We probably have more land than everybody else that's come up here and talked to you, combined. We are looking for what's fair.

So, Jonathan gave you one. Here's another one. Why do I pay excise tax and breweries don't? Help me with that one. I make wine. They make beer. I buy land. They don't buy land. I hired agricultural people. They don't do that. Help me with -- we're looking for what's fair. The other thing is; they sell in supermarkets. We can't. And I get that whole wholesaler about going into supermarkets and restaurants. We've been beaten to death about that. But the reality is we're a craft winery. We're making 2,000, 3,000, 4,000 cases a year. So, it's not like you're opening up the supermarkets to Mondavi. You're not killing the retailers that invested in our package stores. We're looking for just a little love.

The other thing is, and this is the thing that drives me crazy, this year we did, according to Connecticut Agriculture, about $100 million dollars, $106 million dollars of contribution to gross revenue in the state. What's fascination is in 2000, Pennsylvania did a study which said that they did $110 million dollars. Well, that's fascinating. We, today, are where Pennsylvania was in 2000. Pennsylvania just updated the study;
$4.68 billion dollars is the revenue now in Pennsylvania from wineries, and $367 million dollars is the state take in local and state taxes on that.

We're the fastest growing part of agriculture. You got something going back to 16, don't play me off. Keep the piano quiet. We're asked in 1644, we want to grow. We're investing millions of dollars. It's not hundred of thousands, millions, and we're all under capitalized.

REP. D'AGOSTINO (91ST): Let me ask you a question on the excise tax. One of the things that we're -- I confess, I don't know off the top of my head. I assume you pay the excise tax on gallon one?

MR. MELILLO: Correct.

REP. D'AGOSTINO (91ST): All right. So --

MR. MELILLO: Yeah, we pay a federal and a state. We get the form from the state every month. We will it out. I think it's 72 cents or --

REP. D'AGOSTINO (91ST): So, one of the things we're talking about with beer mostly, if this goes into, is maybe setting some sort of threshold limit where, in order to help them get off the ground, we don't charge the state excise tax, but then when you hit a certain gallon limit, we do charge it. Is that a rubric that you guys would be amendable to? And if so, what would be the appropriate, in your view, limit -- what would be a reasonable limit to say below it you don't have to pay excise tax, but above which you hit a certain threshold, you think you should pay it.
MR. MELILLO: So, are you going to apply that to the wineries too?

REP. D'AGOSTINO (91ST): That's what I'm saying. If we did something like that, if we did it with the wineries, I'm curious as to what your thoughts would be on that idea and what an appropriate limit would be.

MR. MELILLO: You know, at roughly -- so, a thousand gallons is equal to roughly 5,000 bottles of wine. Simple math. You can figure that out. And so a bottle of wine is about 26 ounces. So, add a thousand to two thousand gallons, you pretty much have a decent-sized company, whether it's winery or beer. I think that's a good hurdle, right, for us. But again, I'm speaking on behalf of me, and I started this thing off the way I started it, so.

REP. D'AGOSTINO (91ST): Sure. Where's your vineyard?

MR. MELILLO: Priam Vineyards is located in Colchester, Connecticut. Another point I wanted to make was that this -- just five days ago, in the largest wine competition in America, called the Best of the East versus the Best of the West, Connecticut took 25 medals out of 2,000 entries. We were the second highest after New York State. And one winery took ten. We're talking about best in class, double golds and single golds. One winery in Connecticut took ten of those medals; more than any other winery on the East Coast.

REP. D'AGOSTINO (91ST): Wow. (Laughs) Congratulations.
MR. MELILLO: Don’t you want to ask who?

REP. D'AGOSTINO (91ST): Other questions from the committee.

MR. MELILLO: The point is we're investing in better quality wines and in jobs.

REP. D'AGOSTINO (91ST): Representative Ackert.

REP. ACKERT (8TH): Thank you, Mr. Chair. And thank you for being here and --

MR. MELILLO: Keeping you smiling.

REP. ACKERT (8TH): Absolutely did, by the way.

MR. MELILLO: Thank you.

REP. ACKERT (8TH): Glad I was here for it. So, I have a local winery, Cassidy Hill Winery, I could walk to it. What is the -- parlaying off of the question to the good Chairman about what threshold would make sense in terms of the excise tax. So, what is the average winery, like my neighbor, yourself, putting out on a yearly basis?

MR. MELILLO: Well, I could -- let me show you sort of the simple math. If you've got five acres, you're gonna produce about, let's call it, 15 tons. Okay? That 15 tons is gonna get you about 2,000 gallons, which will then get you to your 10,000. So, if I've got five acres and I'm farming it well, although this year was hell -- nonetheless, if I can get that two to three tons, I can get up to that 1,000 to 2,000 gallons. I've got a business. Probably one of us is still working for, you know, EB. But nonetheless, I've got a business that makes sense.
REP. ACKERT (8TH): Okay. Thank you. Thank you for that answer. Thank you, Mr. Chairman.

MR. MELILLO: And, oh by the way, the cost to ship is $25 dollars for three bottles and it's $48 dollars for 12 bottles. The gentleman in the back wanted to know that before.

REP. D'AGOSTINO (91ST): Senator Witkos.

SENATOR WITKOS (8TH): Thank you. So, I'd ask you to go back to your association and try to work up what you believe. And this for a tap room only if somebody -- or a tasting room. Tasting room only for the excise tax. But there are things that we, you know, we did for your industry as well that some of the other industries aren't -- cannot avail themselves to. For example, wine at farmer's markets. You know, we don't allow the craft breweries to bring and sell their beer in farmer's markets. So, there's different things that, while one niche may have it, another one may not. So, we're, you know, we're trying to - sometimes, you know, we're -- we take baby steps with one industry and then maybe we start moving the other one when we realize the world doesn't blow up or fall apart. We say, okay, that worked okay. It wasn't that bad. So, now we can look at where do we go from here. But I appreciate you hanging out all day long and if you could just get back to us within the next week or two on what you believe would be fair in your industry for a tap room sales, one, you -- it's a plus for you guys because you wouldn't -- if you're a fledgling winery, you won't pay the excise tax, and at what point you would pay it. We're not looking at an increase, but just at
what point we would institute it. But thank you very much.

MR. MELILLO: Thank you.


MR. MITCHELL: Hello. Matt Mitchell, Norbert Mitchell Company, Danbury, Connecticut. I am here today to ask that language be included in H.B. 7183 to change the definition of grocery store, to allow convenience stores that sell gasoline to also sell beer.

My name is Matthew Mitchell and I’m the president of Norbert E. Mitchell Co. We've been in business since 1945. I'm the third generation of my family. We own and operate convenience stores and gas stations in New Milford, Brookfield, Danbury and Bethel, and also deliver petroleum and provide HVAC service. We employ about 190 Connecticut residents.

I am here to speak in support of adding language to House Bill 7183, to allow the sale of beer at a convenience store where gasoline is sold. The existing grocery beer law prohibits our stores from selling beer because we sell gasoline, but the law allows almost every other food retailer that we compete with to sell beer. State liquor laws have been changed over the past years to allow for many of the large national and multi-national big box stores to be more competitive in their sale of alcohol, but smaller, local businesses, like ours, continue to be prohibited from selling beer at our stores. Large international chains like Stop and Shop in New Milford, and Costco and BJ's in Brookfield, who have full liquor stores, add gas
pumps in front of their stores, but we are prevented from selling a six-pack to our customers on the way home from work.

From a public safety standpoint, our employees are trained in age verification for restricted products like cigarettes and lottery. There is no safer place for the sale of age restricted items, because we have been doing it for decades. The responsible sale of beer would be a natural fit for our employees. I came here today because I refuse to believe that it is the intention of Connecticut lawmakers to put a local business like ours at such a disadvantage when trying to compete with multinational companies. We are not asking you to help our business. We just need to fix the existing law so it stops hurting us. The fix will not cost the state a dime, and in fact, a study has shown that it will increase tax revenue.

Please support adding language to this bill that would allow convenience stores to sell gasoline -- that sell gasoline to also sell beer and let local businesses compete. I'd be happy to take any of your questions.

REP. D'AGOSTINO (91ST): Perfectly timed. Any questions or comments from committee members? I think we're good. Thank you. Appreciate you submitting that. Did you submit that in writing?

MR. MITCHELL: Yes.

REP. D'AGOSTINO (91ST): Thank you. Seth Hart.

MR. HART: Thank you, Chairman D'Agostino and members of the committee. My name is Seth Hart. I am one of the owners of New England Cider Company
based out of Wallingford, and the representative of Connecticut Cider Association. Thank you for the opportunity to speak in favor of House Bill 7184.

Our cider association is made up of manufacturers of hard cider using many of the best local ingredients possible produced by Connecticut farms and orchards. We love the fact that we can support Connecticut grown products and farms whether it be apples, hops, watermelons, and all the way to spruce tips.

Under current law, subsection C of 30-16, we are allowed to produce hard cider and send it out to market at liquor stores, breweries, bars, restaurants and wineries. Yet the same law states that we are not allowed to sell beer, wine, liquor, or worst yet, hard cider produced by the others in our own association for on-premise consumption. There is no reason a manufacturer of alcohol in the State of Connecticut should not be able to share another locally produced, similar product. That is what supporting local business is all about and keeping income and tax revenue in the state. Our current systems are already in place in surrounding states such as New York and Massachusetts.

We are also fighting to allow the ability to serve pours on premises. Our company has been open since July of 2016 as a tasting room. Recently, as of November '18, we were informed that the law was now being interpreted that we are not allowed to do so. This bill clarifies that this is -- this bill clarifies that, but is still a redundant step to do something that we were already in our opinion allowed to do.
My concerns for this bill are that the parity, or fair play, is not guaranteed, and under line 358 of this current bill, which I have piece attached on the back of your document there for it, subsection c, which is cider, is not included in subsections - - included with subsections b, f g and h. So, like the other vineyards are asking for, the ability to serve cider there, there is no subsection b included in that line.

This statement, when corrected, should be added to all of the manufactures permits, including ours, to prevent any confusion. My company and others in the association serve cider to over 30 different -- 35 different breweries alone, yet we cannot return the favor to those establishments and our customers. Also, the fact that breweries and wineries have the option when it comes to their permits to offer such as live entertainment, food, or host events, we simply have a cider production license that let's us -- that gives us no options for any such availability.

REP. D'AGOSTINO (91ST): I would think for the, for you guys in particular -- well, first of all, on the pouring by the glass, we did talk to DCP about that and we've got language in there to fix that. I think committee members are aware of this, but I'll just state it again, that there needed to be some clarification. Because unlike the others, DCP was interpreting it that you couldn't pour by the glass, and DCP has decided to hold off, at least. They're still reviewing all that, but I think that review will take enough time so that we can address it statutorily. I think it's something we absolutely have to do because otherwise, I mean,
you guys are stopping sales and obviously that impacts your business.

On the sale piece, I just -- I'm not a big cider drinker. I've been to your facility, though. It's fantastic. It's a lot of fun to go to. I would think, and this is just anecdotally; but being in the industry maybe you can address this, for you the issue is a little bit more acute in terms of being able to -- being able to offer a Connecticut wine or a Connecticut beer versus just a Connecticut cider, which is such a particular niche product.

MR. HART: Yeah. It is. There's actually 13 hard cider breweries in the State of Connecticut. Only four of them have tasting rooms that are open year round. Ours is actually the largest one. But the fact that we can't even sell hard cider from the other manufacturers in the State of Connecticut is a really difficult factor. The other thing, as well, like I said, I personally deliver. I personally deliver to over 30 different breweries in the State of Connecticut and I can't even have -- I'm not looking for off-premise consumption at all or any of these things.

But even the option to have a couple of cases of beer there to, you know, for the other customers. Saying exactly the same as the vineyard was talking about, having an option. That's the reason that we are in so many breweries, is because we are giving people that option in a brewery to have a product then when they aren't wine drinkers or they aren't beer drinkers. You know, it gives them either a gluten-free option or something a little bit lighter, whatever their tolerances are. It gets
that group to stay there longer in the brewery. The brewery will therefore make more money from that, more tax revenue from that. Yet, once again, we cannot do that same thing. I'm not saying I'm gonna be selling a ton of beer, but I can't even offer that option right now.

REP. D'AGOSTINO (91ST): Questions from committee members? Representative Ackert.

REP. ACKERT (8TH): Thank you, Mr. Chairman. So, you have a tasting room now.

MR. HART: Yes.

REP. ACKERT (8TH): And so the people come up specific obviously. The only option they have right now is just your product?

MR. HART: Correct.

REP. ACKERT (8TH): Okay. And then you are asked by Connecticut breweries to bring your product into them so that they can offer that as an option on theirs. And I guess the wines guy is in the same position.

MR. HART: Right.

REP. ACKERT (8TH): So, do you -- is there like a -- like, I know the breweries, they have like a -- they'll have food vendor outside type of thing. Do you do anything along that line or is just my tasting room?

MR. HART: We have. You know, during, obviously, the better months, we have had some trucks and things like that outside. We do sell some small snacks in our tasting room, basically, like some prepackaged cheeses and stuff like that. We're not
looking to do a full restaurant either. But, you know, we're even dealing with some issues with local Town of Wallingford because the state statute says that we are not allowed to have any sort of live entertainment or any events there, included in our state law. So, they're saying that we can't do that based on state law.

REP. ACKERT (8TH): Excellent. So, you're just looking for parity.

MR. HART: I -- yeah, parity is a very redundant thing here today. I understand, but, yeah. I'm not looking to sell -- and I 100 percent agree that there is no reason that most of these places should not be selling a Connecticut-made product. I guess that that's the way it is in New York. You know, Massachusetts, it's a very similar setup. I don't see any reason against not having, you know, if I wanted to have some bottles of wine, of Jonathan Edwards' wine. You know, if I wanted to have a couple of cases of beer from Beer'd or whoever it might be, just having that option. It's not gonna be a huge sales thing for me. And most --

REP. ACKERT (8TH): You don't want it to be. You want -- no, no, no, you want this other product that I make.

MR. HART: Yep.

REP. ACKERT (8TH): Right.

MR. HART: And most of the breweries that I do deal with, their current sales about two percent to five percent over market as hard cider. So, it's still a minor thing for them. But once again, like I
said, that keeps people in their tasting room longer and making the group happy.

REP. ACKERT (8TH): Thank you for being here. Thank you, Mr. Chairman.

REP. D'AGOSTINO (91ST): Thank you, Representative. Senator.

SENATOR WITKOS (8TH): My concern would be similar to what Representative Ackert was just getting into. Was that, although you may operate a niche market with cider, you want to be able to offer Connecticut-produced or Connecticut wines and Connecticut craft beers. My concern would be if those other products start exceeding the sales of your products then there'd be a problem.

MR. HART: They will not.

SENATOR WITKOS (8TH): You wouldn't want that, but, you know, if somebody says, oh, I'm gonna try that. Oh, I had one cider. Let me have a couple of beers. Oh, I had cider. Let me have a couple glasses of wine.

MR. HART: Yep.

SENATOR WITKOS (8TH): And then it - I think it runs afoul of the spirit of what we were trying to do to allow you to offer that occasionally to somebody, but yet, now those sales are exceeding your sales.

MR. HART: Of course. I don't think they would exceed our sales. We have people coming from all over New England just to come to our cider company and try the hard cider.
SENATOR WITKOS (8TH): So, -- I didn't to interrupt you, but. So, if we put some provisions in the law, if we go down this road, that says something to the effect of if another product starts to exceeds your or match yours, then you're gonna be prohibited from offering that.

MR. HART: Yeah. Yeah, that's fine. I'm not looking to -- like I said, I'm not looking to become a bar. I have six different hard ciders on draft at all times. I'm just looking to have a couple of extra, you know, products to -- once again, you know, because as I said, the breweries are a huge market for me. I just can't return that favor to them. It's not gonna be a huge market for me, but I can't even offer that.

SENATOR WITKOS (8TH): I gotcha. Okay. Thank you. Thank you, Mr. Chairman.

REP. D'AGOSTINO (91ST): And sir, did you sell -- say that you don't sell for off-premises consumption?

MR. HART: We do sell for off-premise,


MR. HART: Yeah, it was confusion between whether -- if the DCP were to continue with that, we would be forced to give away flights or give away samples and then sell the growlers.


MR. HART: Thank you very much guys.
MR. SCALISE: Hello. My name is Mike Scalise. I'm a wine and spirits retailer and I'm here today to talk about the economic impact of Connecticut's growing adult beverage industry. Over the past few years, we have had an explosion in locally produced products make it on to our retail shelves. Backed by a tremendous support, Connecticut now boasts, obviously, today we saw it, over a dozen distilleries, 40 wineries and almost a hundred craft breweries.

So, as retailers with a gateway to consumers, our relationships with these Connecticut beverage producers is creating an immense economic impact in our state. Facilities have been built and expanded upon. Jobs have been created. Some of our local companies are now selling Connecticut products in other states and even overseas. We have truly reached a dreamlike state when it comes to the production and sale of locally made products by Connecticut businesses.

That's actually true, but I couldn't find anything to compare it to, because in Connecticut there really is a lot of -- there's not a lot of that happening, but it's happening within our industry. So, my brother and I own a great midsize store. We've had it for 16 years. We've been at the top ten sales of nearly every local product we sell. We communicate with the owners. Actually, they were in last night to drop off some nice information and told us we were killing it for them. And I just put a beer order in with Beer'd right here. I wanted to go on the record as the first person to do that at the State Capitol.
Representative D'Agostino, I like you a lot. I know that you don't have the answer for questions. If you want them, ask me, I'll give them to you. All right. In most forms of retail, box stores do not support local brands. Never. So, independent brands are helping build this. You have a complete independently-owned economy. I'm gonna clarify a couple of things right now that are important. Okay? So, independent retailers recirculate 52 percent of the revenue that you spend in their stores in the local economy. Okay. That's procurement of goods and services, profits and labor, charitable giving. Fifty-two percent on average. I have tried to find a study that doesn't show this. This is actually a low average. So, if anyone ever looked into it and tried to tell me I was wrong, they couldn't find it. Eight years of this with Governor Malloy.

When you say that a box store does business in Connecticut, so it's a Connecticut business, it's actually not. Just so you understand, box store chains, after studying, only reduce -- return 16.2 -- or 13.6 percent of the revenue in their local economies. You have to technically spend four times the amount of money at a box store chain to keep it in the State of Connecticut. And the reason is, because the owners don't live there. Money is extracted at night at corporate headquarters or in other places. So, that should make sense to you. Really, it's got to make sense. It's so easy to understand.

Internet sales. Love that guy. He's gonna open up Pandora's Box. Honest to God. Ten percent of e-commerce retail is done online. He's talking about out-of-state retailers. You guys base our licenses
on population counts. Not based on the consumption of products sold from a diluted market from other states. He can get wine from really great little wineries all over the place. But he shouldn't be able to get them from retailers because the retailers in this state have invested here.

That retail chain can go create a small distributor, create a retail establishment where he can show some -- or that retailer show some of their products. They can invest in the state because they only get -- they only send to us one percent. So, when you buy a product out of state, let's say ten percent of the sales shifted to online, which is a national retailer. That's what it is. Not in Connecticut online, but it's nationally. That's $100 million dollars removed from the local economy; $100 million dollars.

Thank about that, because we only get a one-percent return and most studies show that's just because the money is taken from local shippers. So, ten percent of the sales go to online, at a $1.2 billion dollar business, with a one-percent return. It's a 55-percent loss in recirculation and revenue from independent. So, on $100 million dollars, it would be a $50 million dollar loss.

So, I -- there's a lot of wine in this state. They can buy it here. And if not, I'm sure they can find something. I've been doing this for almost 20 years. We're not missing anything. Trust me. I just want to wrap it up. If you have anything -- I honestly think that maybe you have questions I can answer for you. And I want to do it. Like, minimum pricing, for the record, tens of thousands of products in the United States have minimum pricing. There are software programs. When you
are a company that sells your brand online, like Apple, who hire programs to search the internet to find products that are being sold by retailers that have minimum pricing. So, when you mention minimum pricing, you are either mentioning it because you don't understand it or because you don't want to say it. But that's actually not true, so you don't have to be offended by that.

Also, you called us monopolies. Okay, just to clarify. Sag works. Forbes lowest profitable industries in America. Listen up. For the last time, eight years I dealt with --

REP. D'AGOSTINO (91ST): Just to be clear. I definitely am not calling you guys monopolies.

MR. SCALISE: Beverage manufacturers.

REP. D'AGOSTINO (91ST): Wholesalers have a territorial monopoly. You guys do not.

MR. SCALISE: There you go again. Beverage manufacturers.

REP. D'AGOSTINO (91ST): Let me ask you --

MR. SCALISE: We're the third lowest business.

REP. D'AGOSTINO (91ST): Let me ask you -- let me ask you --

MR. SCALISE: Go ahead. I apologize.

REP. D'AGOSTINO (91ST): Let me ask you. On the big box stores, you kind of proved my point a little bit because you got a --

MR. SCALISE: Yeah.
REP. D'AGOSTINO (91ST): You've got a thriving business, people love to come there. I'm just -- help me understand why it's such a big deal for, you know, okay, somebody wants to buy a pack of -- a case of Bud Light somewhere, at Target, or at the supermarket, which the currently can do fine, but they're coming to you for the niche beer, for the great experience, for the good wine they can get, the different wines they can get, the selection. What are you worried about?

MR. SCALISE: I can answer that for you. I'm gonna do it right now. And I want you to understand this because I think you'll get it and you're gonna believe me too. Our industry is three -- okay, now, listen to this, really quick. Beverage manufacturing - third lowest profitable business in America. Beer, wine and distilled spirits of alcohol merchant wholesalers - ninth lowest profitable business in America. Beer, wine and liquor stores - fourteenth lowest profitable business in America.

So, what you're trying to say is that you feel like the displacement of sales won't put people out of business. Has anyone drive by a Sears store lately? That looks really good, right? So, that's displaced sales. Sears did billions of dollars in its last year of business, but it didn't keep them open. What I get out of my company each year, and I'm one of the top 100 stores in the state -- what I earn, listen to this clearly, is two percent after sales, federal and state income taxes. My income is two percent.

So, if you came into my store and took two percent off a product, it wouldn't actually be my income.
You're a lawyer. Correct? My store cost, now just imagine this, probably five times more than a law degree. It took me ten years to build the store to make it profitable. It has contributed to our local economies immensely. I raised over $100 thousand dollars for charity. I support all these local people.

REP. D'AGOSTINO (91ST): I'm not -- all right. I'm not --

MR. SCALISE: And look, you can -- just don't cut it right there. It doesn't matter. You don't have to go to the sob story. You don't need to help me because --

REP. D'AGOSTINO (91ST): All right. I'm gonna -- I'm gonna -- I'm gonna --

MR. SCALISE: Believe me; we're doing better for the state --

REP. D'AGOSTINO (91ST): Whoa. Let me ask the question. Let me ask the question.

MR. SCALISE: Yeah.

REP. D'AGOSTINO (91ST): And you can try to answer the questions I'm asking. Okay?


REP. D'AGOSTINO (91ST): We've been here awhile and I want to make sure everybody else gets a chance.

MR. SCALISE: You're right. It's been a long day. So, yeah, go ahead.

REP. D'AGOSTINO (91ST): Okay. On the big box stores, I'm still not understanding what the fear is because if --
MR. SCALISE: For what.

REP. D'AGOSTINO (91ST): Put aside the issue of the SKUs.

MR. SCALISE: I'm here. I'm with you.

REP. D'AGOSTINO (91ST): If they can sell you -- it's the same price you sell it at. Right?

MR. SCALISE: Yeah.

REP. D'AGOSTINO (91ST): What do you care if somebody's gonna buy a case of beer at Wal-Mart versus --

MR. SCALISE: I can tell you that.

REP. D'AGOSTINO (91ST): Let me finish. Versus the supermarket, right. They're still coming to you for all the other stuff that you do great. What are you worried about?

MR. SCALISE: So, I can explain that to you. Okay. So, what you don't understand and you can get this now. Okay. So, when you go to, like, a tequila section, for example. You're talking about below-cost sales, right, in relation to --

REP. D'AGOSTINO (91ST): I'm not. No, no, no, no, no. With big box, I am not talking about below-cost sales.

MR. SCALISE: What are you talking about?

REP. D'AGOSTINO (91ST): I am talking about exactly the same price, same case of beer. Let --

MR. SCALISE: Oh, you mean the expansion of permits?
REP. D'AGOSTINO (91ST): Yeah. Well, no, no, no, no. No, I'm talking about the Wal-Mart and Target sales.

MR. SCALISE: Yeah.

REP. D'AGOSTINO (91ST): The fact that we might allow them to sell -- look --

MR. SCALISE: It will stop people from coming in those stores.

REP. D'AGOSTINO (91ST): Yes. Like you said -- you said it perfectly. They're not gonna sell craft beers. They're not gonna invest in any of those other products.

MR. SCALISE: You're right.

REP. D'AGOSTINO (91ST): They might sell Bud. Okay. Somebody -- just like the supermarkets, you can get a case there. What are you worried about? So, somebody buys a case of beer from Wal-Mart, they're still coming to your store for the great experience, the great product selection, all the different things you offer.

MR. SCALISE: Right. So, you have -- you have -- what you're saying is accurate. The problem is that everyone who drinks craft beers started off drinking Bud Light. So, if you remove the portion of people that were in our store that we converted to these awesome Connecticut local brands and these distillers, then we won't have anyone else to grow into that. And like I said, the three lowest profitable businesses in this entire country are sitting in this room. So, if you remove those people from us, and, please, listen, I mean this, we don't have potential growth and what happens is
you're gonna dilute our sales. And we work on such tiny margins, even the horrible products we sell count. They all count. And that's why. Is that clear enough or is it?

REP. D'AGOSTINO (91ST): I get it.

MR. SCALISE: Yeah.

REP. D'AGOSTINO (91ST): I think it's a little bit -- I understand where you're coming from. I think it's just a little bit of a fundamental disagreement. Let me ask you one other question.

MR. SCALISE: Go ahead.

REP. D'AGOSTINO (91ST): On the SKUs, message received on, certainly, not allowing that to open up to the floodgates. So, you've got the one below cost. You do great. You compete. You compete with other package stores. Right? People want to come to you instead.

MR. SCALISE: Yeah.

REP. D'AGOSTINO (91ST): Let me ask you. Don't you want the opportunity to be able to maybe sell two or three products below minimum price just so you can -- you can capitalize on your advantage? You don't want that?

MR. SCALISE: Have you looked at minimum price? Have you look at our margins? Have you ever looked at --

REP. D'AGOSTINO (91ST): No. Look, I understand it's a loss leader. I'm saying do you want to do that?
MR. SCALISE: No. But, I mean, have you ever looked at our profit margins? Have you looked at what the industry makes per margins?

REP. D'AGOSTINO (91ST): I'm not following you, Mike. My question is --

MR. SCALISE: So, you're saying a loss leader. You have to understand that. I feel like the entire liquor industry is always on sale. It never makes money. There's no big fat numbers. So, loss leaders, that's -- when we put a product on sale, we actually have to put beer at cost because we couldn't give it a discount that would be reasonable, because we don't make enough money on it. So, if we're like a beer, wow, that's $18.99. It cost us $16.90. We pay $21.79 for a Bud Light 30-pack and sell it for $23 dollars. Where would -- -- where's -- why would you be excited about giving them something they always get every day at a great price.

REP. D'AGOSTINO (91ST): Fair enough. I'm just asking you.

MR. SCALISE: There's no -- there's really no --

REP. D'AGOSTINO (91ST): You know, you run your business. I don't. So, go ahead.

MR. SCALISE: Anything else?

REP. D'AGOSTINO (91ST): Let me ask if anybody else has any questions. (Laughs)

MR. SCALISE: I'm honestly -- just pick me -- pick my brain today. I've been here for nine hours, four hours last night. I'm fine.
REP. D'AGOSTINO (91ST): Send the charts electronically to me so I've got.

MR. SCALISE: What I would like to provide with you guys is just -- I'll send you some information and then you can take a peek at it. But I am here to talk about it. And in closing, because I know you've got a lot of people behind me. Independent business is where the focus should be. When you guys talks about sales tax revenue, honestly, from a citizen's perspective and a businessman, who cares about your sales and excise tax? If you want to collect it on sales that are done from out of state, that doesn't do anything to our economy. And because of that, I'm gonna have to pay more taxes. My friends are gonna lose their jobs. Work on the economy. Stop talking about taxes. That's it.

REP. D'AGOSTINO (91ST): Thank you, Mike. Appreciate it. Sal Cangelosi.

MR. SCALISE: Oh, by the way. I got you a book on --

REP. D'AGOSTINO (91ST): You're out of here. Drop it off before you go. Thank you, Mike. I pity the people that have to follow you. Sal.

MR. CANGELOSI: Well, that's a tough act to follow. Distinguished members of the General Law Committee, my name is Sal Cangelosi. I'm representing today Atlantis Management Group or Food Bag Convenience Stores. We're a chain locally based out of Kensington. We have 50 locations right now in the State of Connecticut -- in the State of Connecticut. I'm submitting this testimony today in support of adding language to House Bill 7183, to allow
convenience stores that sell gasoline will also be able to sell beer.

We feel that this would address the competitive disadvantage that the big box retailers and chain grocery stores have where they are allowed to sell gasoline and beer. As a local convenience store chain that employs over 400 people in this state, we tend to believe that that is an unfair advantage. By adding this language, it takes nothing away from these companies, but allows convenience stores where gas is sold to compete fairly.

The additional revenue generated will help offset the rising costs of doing business within the state and keep people employed locally. The state will also benefit, obviously, from the additional tax revenues generated from these sales. Also, we believe it's time to let the consumers make the purchase decision. The additional options will keep prices competitive in the marketplace. C-stores long have been at a disadvantage to package stores and chain big box grocery stores who are selling our core products, and all we ask is for fair and equal treatment.

We respectfully ask the General Law Committee to add language to allow convenience stores where gasoline is sold to be able to sell beer in this bill, and correct the inequities that exist in the law today. I appreciate your time. I tried to go fast, so. It's been a long a day. Thank you.

REP. D'AGOSTINO (91ST): No, appreciate it. We understand that issue. It's come up a couple of times and we're glad you guys raised it again. Go ahead, Representative Ackert.
REP. ACKERT (8TH): Thank you, Mr. Chairman. And just following the last speaker and the profit margins are so small, and I hate to use a product name, but, you know, a Gatorade or a PowerAde or others. There's got to be a better markup on that. I'm just curious if you -- just for thoughts in terms of business, how does that benefit your business? Is it somebody would go to specifically stop in to get beer and get something else while they're there, a package of cigarettes, something like that, rather than go to get gas and then get beer? Is that kind of the thought?

MR. CANGELOSI: Correct. It's a traffic generator. It's a market basket philosophy, where they would purchase more than one item. So, they know that you have whatever their favorite beer would be and they would purchase cigarettes, snacks, whatever, and make it a shopping trip.

REP. ACKERT (8TH): That makes sense. Because I was trying to think, after the last speaker, the profits are terrible, it doesn't matter. So okay, great. All right, thank you very much. Appreciate it.

SENIOR WITKOS (8TH): Thank you. A question for you, sir, before you get relieved. We had some students from the Town of Enfield here, talking about alcohol stings, etcetera. And do you think that if we expand the allowance of beer to be sold at stores that sell gasoline -- I can imagine a huge fiscal note to the state. You've talked about being able to raise additional revenues. But just the oversight that now the Department of Consumer Protection would have to do along with their stings, I'm not so certain that the additional
revenue raised, which I don't know if it will be additional revenue. I think it may be it's just going from one store to a different store. It would be an increase, but I think there'd be a cost factor to the state because of all the additional locations that would sell it. Could you just comment on that?

MR. CANGELOSI: I'm sure there would be a cost, obviously, associated with that. Obviously, making sure that we're diligent and making sure that people of the proper age are able to buy their products. So, I wouldn't be able to, you know, really comment on what that cost would be for the state. I'm sure there would be some of that. You know, in some of the other states where we do business, there is obviously an off-setting revenue stream from people that won't buy it and won't be able to stay within the law, as those young men testified today, pretty much a lot of people, at least in the Town of Enfield, are doing a good job with that.

So, there is some revenue stream to help offset some of that cost in terms of fines and permitting and things like that. That's not really the way you want to get it, but it does help keep people in line and be able to protect the people that do honor the system and work diligently to make sure that their employees are trained, as Mr. Martin said before, in terms of cigarettes, lottery, and beer.

SENATOR WITKOS (8TH): But how do you address the notion that, you know, -- the Package Stores Association made an argument several years ago when they said Sunday sales are not gonna increase
revenue to the State of Connecticut. It's just gonna be dispersed over a seven-day period versus the six-day period and people just work longer. Don't you think that same argument would apply to your situation, wherein it's not gonna be necessarily an increase in beer sales, it's just gonna be just an increase in more places to buy it and people buy it in just more places?

MR. CANGELOSI: We don't believe that's the case. We believe that people will impulsively purchase their beer when they're on site. So --

SENATOR WITKOS (8TH): Do you have any evidence from any of the other states that allow this to --

MR. CANGELOSI: I don't. I don't, but I'm sure I can dig that up for you.

SENATOR WITKOS (8TH): Okay. If you could that'd be very helpful.

MR. CANGELOSI: Okay.

SENATOR WITKOS (8TH): Okay, great. Thanks. Representative Ackert.

REP. ACKERT (8TH): Thank you for the second time, Mr. Chairman. How many convenience stores are there in Connecticut? Do you know approximately?

MR. CANGELOSI: Off the top of my head, I wouldn't guess.

REP. ACKERT (8TH): Okay. Thank you. You had said you had 50 locations?

MR. CANGELOSI: We have 50 locations. We have 50 locations.
REP. ACKERT (8TH): In what area of Connecticut are you in?

MR. CANGELOSI: All through the state.

REP. ACKERT (8TH): Was it Sam's Foods?

MR. CANGELOSI: Food Bag is the name. So, we're in Kensington, New Britain, Cromwell.

REP. ACKERT (8TH): Food Bag. Okay. Yeah, I know the name. Yeah. I didn't know which one it was. Okay. Thank you very much for your testimony.

SENATOR WITKOS (8TH): Any other questions from committee members? Thank you, sir.

MR. CANGELOSI: Thank you for your time. Next up is Mike Devino, followed by Ray Saegaert.

MR. DEVINO: Good afternoon. My name is Mike Devino. I'm part of a family business called Mercury Fuel out of Waterbury. We have a chain of gas stations and convenience stores throughout Connecticut. And I'm here to ask that language be included in H.B. 7183 to change the definition of grocery store to allow a convenience store that also sells gasoline to sell beer.

Again, Mercury is based in Waterbury, where our company is engaged in marketing of energy products across the state. And as I said before, we operate a number of gas stations and convenience stores.

Beer is sold at many convenience stores locations in New York, Massachusetts, and 39 other states in America. Connecticut is missing out on an obvious opportunity to help its residents save money while simultaneously generating additional tax revenue. As a result, we support adding language to H.B.
7183 that would expand beer sales to convenience stores where gasoline is sold for the following reasons.

One, competition; the more businesses that are in competition with one another the more prices will drop for consumers. Currently, Connecticut laws greatly restrict who can and cannot sell beer. Because of limited competition, we believe residents are forced to pay more than they should for beer. From a pricing perspective, why should Connecticut residents be disadvantaged because of limited options? Two, convenience; Connecticut residents will be able to save valuable time and money by being able to purchase gas, groceries, and beer at a single location. And increased revenue; since gas stations in Massachusetts and New York have the ability to sell beer, Connecticut stations in close proximity to either border find themselves at a massive competitive disadvantage. Instead of losing customers drawn to the convenience of buying gas and beer at a single location, the state should be doing everything it can to retain these sales and the taxes they generate.

For a similar bill proposed in 2011, S.B. 864, the Office of Fiscal Analysis estimated that beer sales in convenience stores would result in a gain from the alcoholic beverage and sales taxes of $1.7 million dollars annually, and that was after they subtracted the cost of monitoring the extra -- the diligence for alcohol complaints.

Lastly, for anyone claiming that this bill would increase exposure to drinking and driving, it should be noted that there is absolutely zero difference between driving to a liquor store and
driving to a convenience store to purchase beer. According to data pulled from the CDC website and Project Know, Connecticut and Rhode Island, which don’t allow beer to be sold at gas stations, actually have worse drinking and driving statistics compared to Mass and New York, which do allow beer to be sold at gas stations. Therefore, it is incorrect to conclude that beer sold at convenience stores would increase drinking and driving. If anything, it might prevent drinking and driving since residents would be driving less.

That's my testimony. I could answer a few questions if you'd like.

SENATOR WITKOS (8TH): Thank you. Representative Ackert.

REP. ACKERT (8TH): Thank you, Mr. Chairman. And thank you for being here and testifying. How many locations do you have in Connecticut?

MR. DEVINO: We have 27 company-operated stores and maybe 40 different franchise dealers throughout the state.

REP. ACKERT (8TH): So, franchise dealers would be one location?

MR. DEVINO: Yeah, one location.

REP. ACKERT (8TH): So, 60-something locations?

MR. DEVINO: Correct.

REP. ACKERT (8TH): Okay. Thank you very much for your testimony.

SENATOR WITKOS (8TH): Any other questions from committee members? You cited the Office of Fiscal
Analysis, a number of $1.-something million dollars. In there, it should've said in that report, because I don't have it in front of me, how many convenience stores or how many locations would be allowable to sell beer if we were to include it in the legislation. What was that number, if you have that data? Because I think that's what Representative Ackert was trying to get at, a total amount.

MR. DEVINO: You want to know the total amount of convenience stores in Connecticut?

SENATOR WITKOS (8TH): Sure.

MR. DEVINO: Fourteen-hundred.

SENATOR WITKOS (8TH): Fourteen-hundred.

MR. DEVINO: Approximately.

SENATOR WITKOS (8TH): All right. And do you -- would you concur with some of the previous testimony that the margin of -- I get your argument on the convenience factor side. But I have a hard time with -- on the competition side, because I think we're heard ample testimony that the margin profit for beer is minimal. So, I don't know if that's a good argument.

MR. DEVINO: Well, --

SENATOR WITKOS (8TH): To base part of your testimony on that, competition is gonna be good as far as sales go because I --

MR. DEVINO: That's a good point.

SENATOR WITKOS (8TH): I think convenience, yes, but sales not so much.
MR. DEVINO: Well, grocery -- I worked in a grocery store when I was 16 and we had beer. And I think the law with regard to Connecticut is a little antiquated. Gas stations -- convenience stores can sell beer, but they have some type of a ratio that they talked about.

SENATOR WITKOS (8TH): Right.

MR. DEVINO: You're familiar with that, right? And so, here we have large retailers like Super Stop and Shop and Costco selling -- Super Stop and Shop selling beer and we're not allowed to. And if you go to most states, 39 states, they do sell beer. In response to your question about the low margin, it's true. I mean, I don't have any experience with beer because we haven't had it yet. But my son in-law's family has a package store and I asked him what he thought about us selling, and he goes, "well, that's our lowest margin item."

SENATOR WITKOS (8TH): You certainly make the point on the convenience factor. I get that. Any other questions? No. Thank you very much.

MR. DEVINO: Thank you.

SENATOR WITKOS (8TH): Ray Saegaert, followed by Ken Cooms.

MR. SAEGAERT: Good afternoon. My name is Ray Saegaert and I am to ask that language be included in H.B. 7183 to change the definition of a grocery store to allow convenience stores that also sell gasoline and beer. I represent the Pride Convenience chain. We are actually based out of Massachusetts. We are a 30-store chain right and operate with six stores with beer and wine in our
locations. We have a seventh under construction. We also have three stores in Connecticut, two in Simsbury, one in Windsor Locks. We have one under construction in Hartford and we've also looked at property and we're looking to expand into Granby.

I actually was looking at what I was gonna say, but I want to go back to some of the things that you questioned about already. Because I already have that experience, we're already doing this. Okay. Yes, beer margins are extremely thin; however, they add to our ring in our registers. They bring people in. It is a convenience item. When we look at slim margins across the board, it just makes more sense to add more eggs in the basket as opposed to fewer eggs in the basket, so to speak. It adds to our overall health of our business. When I look at our store chain, like I said, we have 30 stores. My largest stores as far as volume are the ones that have beer and wine in them. It does contribute to our overall growth. So, that is something that is very dear to us. We would like to -- as we expand into Connecticut, we'd like to have that opportunity to do that in Connecticut because we just think it makes sense for our business model.

We're the perfect people to control -- or to have beer in our stores because we already control all items every day. We deal with cigarettes. We deal with lottery. We deal with cigars, you know, everything that already has to be ID'd. We already do that. So again, we're the perfect people to take that. you brought up a point about who's gonna monitor it. In our chain, we also go forward and work with the local police departments. I actually work on certain committees and meet with
them every couple weeks. We have direct cell phone contact with police departments and some state police officers in Massachusetts.

We had a situation that came up into one of our stores where one of the officers actually called me on a Saturday night and said, "Hey, we had an accident in front of your store. Can you provide the video tape of off your security cameras?" Absolutely. So, we're trying to work with them. They're working with us. They're in our stores. They're actually in our stores, drinking coffee and, you know, buying things, you know, which helps deter that bad element being around our stores. So, we do feel that beer and convenience with the right mix is perfectly okay. We just need to have that definition changed.

SENATOR WITKOS (8TH): So, one of the arguments that -- or discussions that occurred was that if you were from a large chain store, I'll say, using the Target and Wal-Mart model, that you would not necessarily buy a local product to sell in your store. You just deal with the big guys. Being from a chain store, how does that work? Does your corporate entity say, because we've seen it in other stores, we want you to only sell the large brand liquors? Or do you have the ability to say, well, yes, but I've got some craft brewers around here that I want to put them in my stores as well? Do you have the ability to do that or is it the decision is made outside of the state?

MR. SAEGAERT: No. I am the corporate buyer for all of Pride. So, quite honestly, yes, those decisions have been made. We've recently built a -- our brand new stores was in Hadley, Mass. We
opened up in December. The next -- if you're familiar with geography in Massachusetts, the next town over is Amherst. I literally just signed off last week to bring in Amherst Brewing in some stores. Two towns over is Fort Hill Brewery in Easthampton. I signed off yesterday to have Fort Hill Brewery brought into my stores. Okay. So, we are supporting the local guys. But by the nature of our business, we're a convenience business. I need to appeal to as many people with as few SKUs as possible, because I'm not looking to have, you know, five million items in my store. But I also need to support my local customer. The guy that comes into my store, is from that neighborhood, and wants to drink his local beer. I'm gonna have it for him.

SENATOR WITKOS (8TH): Yeah. I guess my question -- obviously, I get that. But I wanted to know, and you answered it, was do you have some ability to say I'd like X in my store versus not allowed to. You know, go to your local package store.

MR. SAEGAERT: We do have that ability.

SENATOR WITKOS (8TH): Great. Thank you. Thank you, Mr. Chairman.

REP. D'AGOSTINO (91ST): Representative Ackert.

REP. ACKERT (8TH): Thank you. Is there any regulations of size or distribution in Massachusetts [inaudible - 06:52:34]? Can you be the tiniest little store in Massachusetts regardless of what else you're selling there? Or do you have to have a percentage requirement of anything?
MR. SAEGAERT: Usually when we present to the town -- again, I'll use Hadley as the example because that was our most recent store that we built in December. When we made our town proposal and we laid out our building plans, they designated -- we came to an agreement of X amount of square feet that was gonna be dedicated to beer or wine sales.

REP. ACKERT (8TH): The town dictated that or the --

MR. SAEGAERT: We did that with the town, yes.

REP. ACKERT (8TH): The town. But does the state have regulations? Because we're not here to tell a town --


REP. ACKERT (8TH): So, it doesn't if I'm a 10x10, you know, cubicle, got my cigarettes over here and my -- I have three six-packs I want to sell.

MR. SAEGAERT: Right. I have one very small store that -- you know, the whole store is probably the size of a closet. It has about two beer doors in it and maybe four soda doors in it for cooler space and that's it. But they do very well. And I have stores that are --

REP. ACKERT (8TH): The Mass. hours, what are their -- because you'd have -- I mean, obviously, we have hours about sales.

MR. SAEGAERT: You set ours up, correct.

REP. ACKERT (8TH): Does Mass. have the same?

MR. SAEGAERT: Yes. We --
REP. ACKERT (8TH): Not the same hours, but they have Mass. regulated hours.


REP. ACKERT (8TH): Thank you. Thank you, Mr. Chairman.

REP. D'AGOSTINO (91ST): Thank you. Other questions from committee members? Thank you very much.

MR. SAEGAERT: Thank you.


MR. HAIRPAUL: Good afternoon. Thank you for your time and allowing me to speak today. My name is Andrew Hairpaul. I won several gas stations and a liquor store. I am here today in favor of House Bill 7183, asking to add language to be included in the House Bill 7183, again, to change the definition of a grocery store to allow convenience stores that also sell gasoline to sell beer.

Several reasons for beer in convenience stores that sell fuel besides being competitive with our neighboring states include having more revenue streams to cover growing overhead costs, licensing cost increase, and the licensing costs increasing across the board, and taxes that never seem to go down. There are lots of fees involved in the gas station industry, both mandatory monthly and yearly inspections, that amounts to large amounts of money. Making eight-percent state minimum if that's what your store for cigarettes and pennies per gallon on fuel and competing with all the
sharks in the tank realty make owning a gas station-convenience store tough to stay afloat.

Having beer in our stores help cover the cost of increasing minimum wages in the near future, creating another stream of revenue, keeping us with the times compared to other states. If we are expected to increase wages we pay, then we need your help in diversifying our revenue streams. There really is no difference when looking at our major retailers such as BJ's, Sam's and Costco's as far as apples-to-apples is concerned. We both sell goods for the consumers to consume. We both sell soft drinks, dairy and even sell lottery in the major box stores. Not only do they sell the items as us, but they sell it at a deep discount, thus making it unattractive to the consumer to visit our local stores.

The one main difference, not only the state allows them to sell all the above, but they full alcohol and gas on the same property. I beg to question, what's the difference between them and us besides deeper pockets? The consumer should have a choice where they shop and what they buy at their respective retail outlets. There is not a major gross profit item in liquor stores, thus, they use it as a lost leader, whereas in convenience stores, we would work off a margin slightly higher than liquor stores. On average, 30-percent gross profit is what convenience stores work off of and we have limited space to work with. With that being said, I don't see a gas station owner and a liquor store owner, that liquor stores have to worry about pricing when it comes to concerns of beer nor the space that will be allocated to housing the beer.
On average, most gas station-convenience stores are under 2,000 square feet with minimum space available both on the floor and in the cold vault where lays the constant battle for space between the soda vendors. So, in closing, again, you know, I'm just asking that we change the language to be included in House Bill 7183, to change the definition of a grocery store to allow convenience stores that also sell gasoline to sell beer.

REP. D'AGOSTINO (91ST): Thank you. Thank you, Andrew. Questions from committee members? None? Thank you very much. Did you submit that in writing?

MR. HAIRPAUL: I did not. I can.


MR. PATEL: Good afternoon. My name is Jay Patel. I'm living in Glastonbury and we own ten gas stations within Fairfield County, Hartford County and Middlesex County as well. And we agree with all the testimonies I can hear that from locally. And I'm here to just to change the language of 7183 as we are with gasoline to sell the beer. And lately, we have all the expense going up and up. Our cigarette margin is very low. So, if we add some of the items, just like beer, our sales are going to be increased and we can survive better with. Because day by day, our minimum base is going to go up, all the other expenses going up and all that. So, we'd love to start. And also, we have all customers demand as well. Why don't -- all the other states sells beer within a gas
station, why not in Connecticut? So, we'd love that opportunity. Thank you.

REP. D'AGOSTINO (91ST): Thank you. I just want to clarify for the record for the committee members. I think some of these testimonies that were for 7184, I think, technically, it would be part of 7183 -- 7184. It's not 7183. I'm sorry. I just misspoke. So, just for the record, I think it's 7183 that we would be embedding this in if we did this, so. Questions from committee members? Thank you, sir. Appreciate it.

MR. PATEL: Thank you.


MR. HERB: Hello. My name is Chris Herb. I'm the president of the Connecticut Energy Marketers Association. I'm also here to talk about House Bill 7183 as it pertains to including language for beer permits for convenience stores where gas is sold. I'm not gonna repeat any of the testimony. Maybe focus and highlight on a couple of things and maybe answer a couple of questions that came up. In the written testimony that we submitted, it shows that there are 42 states in the country that already allow this to one degree or another. Their rules vary from state to state.

The most important thing from a gasoline station or a convenience store is that I'd like you to focus on is that right now, and you've heard a little bit about this in previous testimony, is that there is no way that the legislature, when they constructed this law, conceived of allowing companies like Stop and Shop, who are foreign based, to be able to sell
gasoline and beer, putting family-owned local businesses in a different pot.

It's not that we're prohibited. It's that I don't think that when the legislature wrote the law to begin with it ever conceived of gasoline volumes growing to the point where the ratio no longer worked. So, I don't think that if you were to sit down today and conceive of how beer is sold, you wouldn't cut out local family-owned gasoline stations, whether they're large chains or individual station operators, all of whom which we represent. I think that you could say that we're gonna allow it and want to do it equally. But today, Stop and Shop is selling gasoline below the cost that we can purchase it at in many cases, and they get to sell beer.

I don't think any of you would go back to your districts and say that's a fair thing. I was sent to Hartford to allow large, big box retailers to have advantages over local family-owned businesses that have been doing this for generations. Current energy policy is incentivizing a move to electric vehicles. That literally means that we are gonna sell less fuel; that these businesses are based on. Their whole world is changing on them because of the current policies. I know we're not here to debate that in this committee, but what we're saying is, is that if we're not able to expand our product base, compete with big box retailers, and that the state comes to fruition by converting 3 million vehicles to electricity, you are gonna be putting hundreds of businesses under.

We have to find a way within the laws of Connecticut to continue to be able to contribute
thousands of jobs, hundreds of millions of dollars in tax revenue to the state from sales tax and excise taxes and all that. And all we're here is asking for fairness and equality under the law. We're not asking for anything more than that. We're asking what 42 other states already have and we're asking for this committee to address that. We really appreciate the opportunity to be here. I included in our testimony the states that do allow it. The one that I messed up on, was Pennsylvania actually does allow it. And I know that there was discussion also about the package store owners.

We heard testimony today that this is a low-margin product for them. And again, I think Senator Witkos was articulate in saying that this isn't about necessarily -- this is more about convenience. But this is about a whole package of offerings and if Stop and Shop has these advantages, the package stores who have been able to add cigars. They sell all the core products; ice, newspapers, lottery. The lines have been blurred. You've already started -- the legislature has already blurred out the lines and gave package store owners opportunities that used to be exclusive to us, are no longer. So, I don't -- again, I don't think that you've been here thinking overtly we're gonna continue to marginalize convenience stores where gasoline is sold. So, we're asking for equality under the law, whether it's our competition against package stores who sell most -- many of our core products, or the large big box retailers who are selling gasoline.

SENATOR WITKOS (8TH): So, you're not interested in any limitation on what -- the amount of beer you
can sell. You just want to be able to have -- sell beer.

MR. HERB: That's -- we're here to ask for that ability.

SENATOR WITKOS (8TH): Okay. Thanks. Thank you, Mr. Chairman. Oh, I did think of one question. So, you said that different states have a variety of different statutes relative to that. And I know that if we put this into a bill, the Package Store Association is gonna freak out, and you know it as well. So, what other things are in other states that -- the reason I ask you. You want parity so you can sell as much beer as you want.

Would -- since it's a convenience factor, we don't want all of a sudden the milk and the orange juice and the Gatorade that sells in convenience stores replaced with just 30 racks of, you know, Budweiser and Bud Light. And so you're shuffling what used to be you can get at a convenience store, and now it's more in towards a package store because you're limited in space, per your own testimony. And we were having a sidebar conversation up here, saying well what happens if we just limit it to a six-pack or limit it to singles. But that's not what you want. So, I'm just curious as what are you seeing in other states?

MR. HERB: I think that it would be a great start to the conversation to be able to have the ability to sell it at all. Again, our customers are asking for these products. We get these questions often. And I think that in the other states that we looked at, like you said, the laws have huge, wide ranges. Some of them only allow you to sell beer that's warm. Some you can do either one. Some, it
restricts the size of the packaging. As you heard in previous testimony, my general understanding is that because of the confines of the space that we have, that you're not going to see stacks of variety and sizes. That we're bare limited in the ability to do that. And because the margins in beer are so small, you wouldn't be replacing larger markups on other products to sell a lower margin. Again, this is about variety and it's about equality with the people that we're competing against, like Stop and Shop and BJ's and the package stores.

SENATOR WITKOS (8TH): Thank you.

MR. HERB: Did I answer your question? I think that -- I guess, just to answer the question more specifically. It's that I think that the market would regulate itself. We just don't have the sort of stores that would be able to accommodate 50 different brands from a single to a 30-pack and everything in between. We just don't have that ability. I think it's an irrational fear to think that convenience stores would turn into that. But I think that we'd be willing to discuss limitations if we had the ability just to sell it at all.

SENATOR WITKOS (8TH): Okay. Thank you. Thank you, Mr. Chairman.

REP. D'AGOSTINO (91ST): Fair enough. Other questions? Thank you. Thank you for providing a further context on this issue.

MR. HERB: Thank you. Barry Labendz, Kent Falls. Good to see you again, Barry.
MR. LABENDZ: Nice to see you guys. Good afternoon, Senator Witkos, Representative D'Agostino, other esteemed members of the committee. Thank you for having me here to speak in support of increasing the limits for Connecticut breweries direct to consumer sales. I want to give you something that I think you've been asking for all day, which is some specific evidence about growth and percentages and all that, specifically as it relates to distribution.

My brewery is about ten days from being four years old, which is a drop in the bucket, certainly compared to other breweries, industries, and how long I hope to operate the business. When we started we didn't have any tasting room for two and a half years. So, it was 100 percent wholesale. We self-distributed in the state and we would send the remaining beer out to New York and Massachusetts through wholesale relationships.

Up until and through the first six months of opening the tasting room, we had 55 percent of our beer stay within Connecticut. In the first year, 2018, where we had our tasting room the entire year, that number jumped to 85 percent, and only ten percent of that was through our tasting room, whether it be for on-site consumption or for off-site consumption, 75 percent. That additional 20 percent bump, while we're still self-distributing, is a significant boost to our business. That ten percent allows us to -- has allowed us within a year and a half of having a tasting room to switch to using 100 percent locally grown grains and malted grains, to offer a 401K, to offer health insurance to our employees, and to purchase more tanks to keep growing.
I've talked and seen countless faces where -- of package store owners, where they're the reason my business is still open through those two and a half years. When the tasting room opened, I could've signed with a wholesaler and probably had made an investment to buy more tanks and get more beer out into the state and grow more rapidly. I chose a little bit more conservative. I don't think it's about one or the other. I think it's about finding way for everybody to work together, but not preventing breweries from having the necessary cash influx that they need to promote that growth. We're always gonna send beer out.

I would never sit here in front of the people who helped me build my business for four years and say I want to do all of this on my own now. Thanks for the last four years guys. You know, there's natural limitations to how much can be sold on premise and the breweries that do it 100 percent are kind of either really small or anomalies of growth that people who aspire to are missing the boat a little bit. So, you know I think everybody here that spoke focused on different things.

You know, I've seen the hard numbers of what that tasting room, what that experience, what the ability for somebody to come to my farm, drive all the way out to Kent, have a beer, talk to us, buy some beer to go to share with their friends. Maybe there's a small brewery only bottle that would sit on shelves for otherwise long times that is more appealing that our farm. But that's the reason why they go back to their hometown and buy it in package stores and go to the bars and drink it. So, the two should go hand in hand. That's my take on it. I've got relationships with wholesalers out
of the state. We've never worked with a wholesaler in the state. I can speak to my opinions you'd like to hear from me on --

REP. D'AGOSTINO (91ST): Well, on that last -- on that last point, I mean, would -- you heard some of the testimony about maybe just sort of evening the playing field between the wholesalers and the manufacturers and, you know, if after six months, you want to go with somebody else, you're not tied to a beer distributor in perpetuity. Would that change in the law, impact -- maybe not motivate, but impact your thinking about when you -- when it's a set time to get into relationship?

MR. LABENDZ: For sure. Starting without a tasting room, losing the self-distribution margin would've -- we wouldn't have been able to survive or we would've needed to be a drastically different brewery, not on a farm using local grains. Now, with an established network and distribution, you know, the idea of growing certain percentages year after year, I start -- you know, that's gonna mean I need more truck, more people, more this, more that. And we do it in one vehicle right now, two people on the road four days a week.

So, those -- my relationships in most other states are no contract, where I can leave at any time. I was getting texts from another distributor about potentially switching for just one event, whatever it might be, in Maine, where there are volume caps on distribution. And yeah, it definitely comes into play and it's why I didn't sign with somebody from the get go.

My experience, the hardest part about working with the distributor is if you want to make something a
little unique, a little, not to steal Sam Calagione from Dogfish Head's terminology, off-centered, right, not what the market is generally demanding. Then amongst all the other SKUs that wholesalers have, it's really hard to get that thing that people just might want that much of to be a focus of their attention. And that's not a -- that's not a fault. It's just the nature of different people at different scales with different responsibilities and people that they're also representing. It's not all about me. So, if I want to make more of that, like, it's on more of me to do those sales.

So, there are challenges to working with wholesalers on small scales or if you're not doing the hot item in the market. But there's no reason breweries and wholesalers shouldn't work together really well or one shouldn't promote the success of the other.

REP. D'AGOSTINO (91ST): Well, I think that's all we were talking about, is just sort of staying out of that relationship and letting you build that relationship.

MR. LABENDZ: Yeah. Yeah. I mean, the more restrictive and hard to maneuver out of that it gets the harder those become. Because even with distributors that I would never dream of leaving in New York and Massachusetts, I see them telling me -- I don't have contracts with them, but they're, like, we want more of this, right. And if you -- I don't want to make that, I want to make this, and I'd really like for you to sell it. And they say, no, I'm sorry, like, that's not gonna move that good.
REP. D'AGOSTINO (91ST): So, in those other states you're not locked in after six months like you are here with the restrict --

MR. LABENDZ: New York's is based on a percentage of volume and we're certainly not up to that percentage with that distributor.

REP. D'AGOSTINO (91ST): Well, that's interesting.

MR. LABENDZ: Yeah. And that --

REP. D'AGOSTINO (91ST): So, that sort of addresses the concern we heard earlier about, oh, it's the Anheuser-Busches of the world we've got to worry about.

MR. LABENDZ: It probably wouldn't be fun to have to end that relationship. I have no intentions to, if they're watching. But, you know, I relish -- I really enjoy that relationship. We've done it since the beginning. They're a big reason also why I'm still here. But the more -- the less you're able to maneuver out of it or just even have that mental flexibility when dealing with relationship, it can be tough.

REP. D'AGOSTINO (91ST): Yeah. Just switching gears a second and back to the tap room. You've also heard some of the testimony today. I don't know what you sell in your tap room. If you sell other products or if it's just Kent Falls.

MR. LABENDZ: It's just Kent Falls. Our tasting room is on a farm. We're only open 15 hours a week. Our town gave us the permit before there were any farm breweries or farm brewery statutes, so we have a manufacturer brew pub permit, just like everybody else mostly. And one of their
stipulations, and I kind of agree with it in our context, is you're only selling your beer.

And I said that's all I want people to -- I'm on a farm where it's not even about lack of public transportation. It's like lack of not dirt roads in some places and I don't want people having wine and liquor and all of that. Like, we serve low-alcohol beer. We make low-alcohol beer. Like, it's a very -- it's constructed -- that experience is constructed for where we are and what we're doing. So, it's a little hard for me to say what should and shouldn't be done in more densely populated, easily navigable areas.

REP. D'AGOSTINO (91ST): Can you send us the statistics you gave about the increase in sales, the post-tap room, and what the --

MR. LABENDZ: Yeah. I believe it's in my written testimony.

REP. D'AGOSTINO (91ST): Oh, it is. Okay, great.

MR. LABENDZ: If it's not as clear there, but I'm happy to shoot you guys some information.

REP. D'AGOSTINO (91ST): All right. I mean, you are sort of one of the examples I always give, mainly because of geography, about how the tap room and the sales to customers at the tap room can increase brand recognition. And now all of a sudden, you go from Kent to Killingly. Somebody wants your beer in Killingly. And when that day comes that you feel you need to meet that need, you're probably not gonna self-distribute all the way across the state. You're gonna want a relationship with a wholesaler, you're gonna want
more exposure in package stores. You're gonna want to avail yourselves of that. But the first building block to that, as you've told us, is really building those sales on that ground level.

MR. LABENDZ: Yeah. I mean, we've gone through two vans. We distribute from Greenwich to Sheridan, Lakeville, all the way out to Willimantic and Mystic. Like, we cover most of the state ourselves. It's a lot of driving and a lot work. I was on the road until 7 p.m. solo in the van yesterday, just because people were hurting and you got to do it. But, you know, it's -- there theoretically could be a time when we decide that we have other priorities.

REP. D'AGOSTINO (91ST): Senator Witkos has a question.

SENATOR WITKOS (8TH): Thank you. First of all, I want to say congratulations on your -- for your birthday coming up. My wife and I were -- went up to Kent Falls this past Saturday to check your establishment out. And to say it's a haul away from my house, you know, I'm a half hour from here. And literally, Barry's not kidding when he says you have a dirt road. Because I thought my GPS was taking in the wrong direction.

MR. LABENDZ: You're lucky --

SENATOR WITKOS (8TH): But I got there. I must have come in maybe the back way, but. But your tap room was packed. There's was probably, like I'd say 27 people in there, everybody enjoying themselves. And I was kind of watching to see what people were buying and taking out and consuming there and. But I had a question for you. I'm
focusing in on the distribution side. Now, since you self-distribute, have you been approached by any distributors to say, hey, why don't you engage us here in Connecticut. This is what we can offer you. Or you have not heard from anybody.

MR. LABENDZ: Early on, a lot of people. I've probably -- if you read my written testimony, there's a line where it's, like, my views on this or and self-distribution is no secret to anybody if you're connected to me on social media, the internet, within shouting distance. Like, I made my views out to how I feel important self-distribution is pretty loud and clear. So, I don't expect to hear from people too often anymore. I said no for a long time. But, you know, if somebody called me, I would still say, like, we got it. I got people whose jobs this is and I'm not looking to either grow to a point where it's, like, hey, I need two more production employees or retail employees and replace their jobs. So, I have been approached is the answer. Yes.

SENATOR WITKOS (8TH): Thanks. I was trying to get an answer from somebody earlier and I couldn't get an answer.

MR. LABENDZ: Yeah. I mean, I think there's very often conversations that happen back and forth, whether those decisions are made and contracts is another, you know, -- I can only speak to my experience. From out of state - out-of-state distributors all the time.

SENATOR WITKOS (8TH): Is there a reason, because geographically, you don't want to -- like, if you have a distributor in Massachusetts, although you're probably closer to the Massachusetts line
than driving all the way to some of the other towns you mentioned in Connecticut. But yet you choose a distributor there. Is it because of the state lines or just?

MR. LABENDZ: We're not allowed. It would be very difficult. Connecticut wouldn't allow us to set up, I don't believe. We can't have ownership in a distribution company because of the three-tier system.

SENATOR WITKOS (8TH): Right.

MR. LABENDZ: So, in some way that maybe there was a distribution company that was dedicated to Kent Falls and New York. We're only three miles from the border. The cost and effort -- I have no desire to deal with distributing beer in New York. I mean, the steps in old homes that are super smooth and rounded to basements where we have to deliver kegs is hard enough, let alone the, like, city chutes that go down like this.

SENATOR WITKOS (8TH): Gotcha.

MR. LABENDZ: There's certain things I don't wanna take a stab at.

SENATOR WITKOS (8TH): Okay. Thank you. Thank you, Mr. Chairman.

REP. D'AGOSTINO (91ST): Other questions from committee members? Thank you, Barry. Always useful to have you here. Thank you for your testimony. Dave Lucas. Ross Hollander. Mr. Hollander.

MR. HOLLANDER: Senator Fonfara, Senator Witkos, Representative D'Agostino, and Representative
Rutigliano, thank you for letting me appear before you today. As I said, my name is Ross Hollander and I am the CEO of Harford Distributors located in Manchester. I represent myself and I am not a lawyer.

HDI has been family owned and operated for 70 years or more. We directly employ more than 200 employees, very good, hard working people. I can understand Barry having to go out and deliver beer because it is a very, very specialized and difficult job. It's not if you get hurt taking 160-pound kegs down to these places, the basements, it' when. So, we are so happy to have dedicated employees. We have our -- we know how to do it. They have generous wages, good health care benefits, and a generous retirement plan that allows our employees to retire with dignity. More than half of our employees are members of the International Brotherhood of the Teamsters.

The written I've submitted today is in regard to H.B. 7183, but I'd like to include general comments regarding the important topics contained in that bill and others before the committee today. I'll start by saying the fact that we love craft beer. We were on in the very beginning with craft beer and we have been ever since. We have been a part of the success story of many of the craft beer companies in Connecticut, Curt Cameron, for one. Hooker, when he was almost out of business to buying that distributorship from somebody else so that we could a major success with him, and we have been. Stony Creek, Back East, Counter Weight, I could go on and on. We support and distribute all of their beers.
We also like the fact that people are talking about beer again. As you in the business know as well, we've taken a back seat to wine and spirits for the last ten years and lost a share of [inaudible - 07:21:33] to them. So, we're happy people are even talking about beer today. And as I said, we have capitalized on that by supporting and being a success story for many of our local beers. I want to make sure that it's clear that we are not members of the Connecticut Beer Wholesalers Association and don't speak for them. As a business owner, I know that when the world is changing we must adapt to these changes. That's why I've adapted our business and to partner in support of this craft beer for all these years.

REP. D'AGOSTINO (91ST): We're gonna let you -- I mean.

MR. HOLLANDER: Okay. I just -- it really, I guess, most of what I could say has already been said. There are a lot of jobs that could be affected by the bill as it sits for package stores and whatnot. But, you know, I'm listening to everything. We are open to change. We embrace change and we know it's coming. We want to be part of that change.

REP. D'AGOSTINO (91ST): I think the Connecticut Beer Wholesale Association could learn a lot from you. And I know I thanked you previously, during the day before you testified, for providing, again, the only beer distributor that did. This was a terrific spreadsheet that you guys put together. It really showed -- and I've got to say, it's the first time I've seen sort of graphically the breadth of the work that you do, and that ties the
product to the territory. That's very, very helpful and sort of conceptualizing what we're talking about when we talk about the wholesaler. So, again, I do want to -- while you're up here, I do want to again personally thank you for responding like that. And I've asked the Connecticut Beer Wholesaler Association to provide -- I've given them your model and asked them for the same information.

So, with respect to 7183, you heard a lot of the discourse that we had, particularly with the Wine and Spirit Association. I mean, I understand the resistance to changes in that statute. I guess what I want is sort of drill down on a couple of things from your perspective are, you know, do you -- we heard the concern of the out-of-state distributor coming in, and if you got rid of the just cause requirement, then they could start offering, you know, carrots here and there to lure business and pine to the products. And my point, and I want to ask if you agree if it, is that there are a lot of protections already that prevent that from happening. And I want you to know that I'm certainly willing to even imbed further in statute a protection against that specific concern, which is, you know, a big national distributor wants to tie the offering of a product in Connecticut to its work that it does in California. To me, that's an illegal tie and arrangement. It's illegal under anti-trust law anyway. You'd have a lawsuit under anti-trust law. You'd have a lawsuit under CUTPA. And in the first instance, of course, to even come into the state, the distributor would need approval from DCP.
So, there's a lot of protections in place that prevents that. Do you want a further statutory protection to prevent that particular scenario?

MR. HOLLANDER: My problem is finding what the problem is. We -- let me say this. We're open to change. We understand that some of these smaller-volume people who are stuck in a distributorship -- I can only tell you from Hartford Distributor's perspective. We would not ever hold anyone back and never have. Anybody who would want to leave would be welcome to do so. We have never, ever. A year, two years, whatever it is, 50 years, if somebody wanted to do that, you know, small-volume people, it's fine and we've never fought that. In fact, we've taken over some, like Curt Cameron, from others to, you know; make them succeed, to bring success to their businesses. So, no, we are on the other side of that.

But there's a lot that we do for these brewers. We not only -- you know, we don't just drive a truck and drop the beer and have it fall it off the truck. We are really very, very attuned to product quality. And product quality is more, even more important than the craft industry. Their beers are not pasteurized. They have to be kept under ideal conditions, and we have, you know, nearly 100,000 square feet of refrigerated space, at different temperatures which different brewer's brew require. And we're happy to do that, but -- we will pick the beer up, you know, if it's even close to code because we don't want anybody to get a bad beer. So, we are stewards of that quality.

You know that I -- you didn't want to hear it, but the bottle law is an important part of it. If you
had two distributors having the same beers and the supermarkets, where most of the containers are redeemed, read the UPC code from a, whatever, a Pabst can, and then you had two different distributors for that brand. I don't have that brand, but. But who would the deposit be charged to? Who would pay the handling? Who -- see, these reverse vending companies charge us a whole lot more than the penny-and-a-half handling fee that's mandated by the state, because it costs them a lot more money to operate those machines, and because they can, because they can.

REP. D'AGOSTINO (91ST): Which is probably something else we should look into addressing.

MR. HOLLANDER: Maybe. But, anyhow. What's happened with that is who would they charge it to? We do it all by computer. We accept the accounts. Who would -- I mean, it's -- you know, it's unfair. With us being the stewards of that bottle law, we've been audited six times that I can recall. All no change audits. Where are you gonna get that if you have split distributors, and the complexity of that. We've had sales tax audits. We've had excise tax audits. We've had escheat audits and we have never, never owed money. And I take great pride in that because we pay our taxes and I think it's important to the state.

REP. D'AGOSTINO (91ST): You've probably been in the business long enough to -- correct me if I'm wrong on this. But I think that the -- what is currently the six-month prohibition on a manufacturer switching distributors used to be 24 months. Is that correct?

MR. HOLLANDER: I think so, yes.
REP. D'AGOSTINO (91ST): All right. And do you have an opinion on that, if we change the timeframe? Again, it seems to me a -- just, again, my visceral reaction. It seems a bit draconian to say to somebody just getting out, getting started out -- and again, I realize we're talking about a whole range of manufacturers here. You've got the Anheuser-Busches of the world, but we've been hearing from a lot of the smaller manufacturers. To say to them -- and we actually heard from them today, right. That they don't even want to get into the relationship because they know they can't get out of it. So, changing maybe from a 6-month timeframe to a 24-month timeframe, if we kept the just and sufficient cause requirement. I still am not really in favor of it. But I'm wondering what your thoughts are, at least, on the timeframe after which these people are locked in?

MR. HOLLANDER: I'm open. I'm open to discussion on it. My mind is open on all these issues. And for the record, we offered to distribute for Barry early on. (Laughs)

REP. D'AGOSTINO (91ST): Yeah. Well, I have a feeling that given the level of service you provide that you're not in a situation that some others are in where there may be people want to change. My sense is that folks sign up with Hartford Distributors and they're very happy because of the breadth of the services that you provide. It's really -- it's really -- it really is to me the anti-competitive effect of that, those additional layers that we put on the statute, the just and sufficient cause requirement, the hearing DCP, and then a potential lawsuit, appeal of administrative hearing to a superior court. That just added a
cost that I think a good -- when you let good business people deal with that, they deal with it. And to me, you're a perfect example of that. But I understand where you're coming from. Let me open it up to questions from other committee members. Senator.

SENATOR WITKOS (8TH): Good evening, Ross. I'm glad to see you here today and you look great.

MR. HOLLANDER: Thank you.

SENATOR WITKOS (8TH): The last time that he was here I think you were in a wheelchair or crutches or something. So, you look fantastic.

MR. HOLLANDER: I was in a wheelchair last year. I had back surgery.

SENATOR WITKOS (8TH): I'm glad you're here. But could you explain to me; I know you said you reached out to Barry early on, what your business model is when you hear a new startup of a brewery? I went through and looked at your list. You've probably got ten or so of the small craft breweries here in Connecticut that you represent. What's your pitch?

MR. HOLLANDER: Well, we tell them that -- we go -- and that's the other thing about having other distributors in a market. We go to every store. Okay. We go to every single store, every market, every bodega on Park Street, every small package store, and we are able to give them full distribution. Some of these people, it's not appropriate because they're so craft centric that it's -- and we are -- we cater to the craft centric market and to the restaurants that do. And so, we
understand their language. My son, Fred, who's with us today, and son in-law. My son is cicerone certified, so he speaks their language. I don't -- I'm 72 years old. I don't speak -- I don't do beer-speak, but I -- we do cater to them on every level and we offer signage, we offer distribution. We offer support in any way that we can to help them. So, we embrace them. The ones that we do do all have prospered. All the ones that you're mentioning on there have prospered. And that's one -- that's what we tell people as well, who we're interested and are interested in us, that we would like to help them prosper.

SENATOR WITKOS (8TH): I wish -- and I will urge committee members to watch this segment of the tape because sometimes I think the distributors get a bad rap in this building and I wanted it on record that you folks enhance these small businesses. It gives them an opportunity or a choice. They can either do it themselves or go to a business such as yours, not only to start off and help them out to promote themselves, but also if they get to a point where they can't handle the things themselves, they look to a business like yours. What's been your experience, because almost everybody has one, where a supplier was not happy with you or maybe on the retail end somebody wasn't happy with you and filed a complaint with DCP? Could you walk me through a situation that you might've been involved in?

MR. HOLLANDER: Thankfully, I never had one. Honestly, I've never had one.

SENATOR WITKOS (8TH): Okay. That's fantastic. Never had?

MR. HOLLANDER: Never have had one.
SENATOR WITKOS (8TH): Okay. Well, I'm not gonna knock you on that one. That's great. Kudos. That's all the questions I have. Thank you, Mr. Chairman.

REP. D'AGOSTINO (91ST): Senator Fonfara.

SENATOR FONFARA (1ST): Thank you, Mr. Chairman. Ross, good to see you.

MR. HOLLANDER: You too.

SENATOR FONFARA (1ST): I just -- I'm not gonna comment on the subject matter, but, other than to say that your comment in your testimony regarding your employees and what you do for them in terms of their compensation, their retirement, etcetera. I can attest to that. I have a dear family friend who is retired from working for you and he raised a family, owns a home. He gets to travel now quite a bit. My brother's best friends, they're down in South Carolina. And that's because of the manner in which you've operated your company. And not just him, but all of your employees and the opportunities they have to live the American dream, if you will, because of what you've been able to provide for them in return for a good day's work, so.

MR. HOLLANDER: Thank you. I hope my father taught me well.

SENATOR FONFARA (1ST): I think he has. Thank you. Thank you, Mr. Chairman.

MR. TAYLOR: Good evening. Just a quick point of order. I think meetings that go this late discussing alcohol should serve cocktails. I think that would be -- maybe beer, cider, and mead possibly.

So, well, good evening. I'm John Taylor. I'm the owner of Waypoint Spirits Distillery in Bloomfield. We are a three-year-old distillery. We joke that we are the little brothers of the craft beer world. It's where we started. I was a craft brewer, a home brewer, for 20-plus years. Decided to take what we view as the next evolutionary step in craft drinking. We are -- I am here in support of the language in 7184 that would allow the distilleries to start serving cocktails by the glass. I know there is some concern about how that's perceived versus other companies in the industry. But I've got a bit of a different take on how our tasting rooms really are perceived.

I view our tasting room as the Apple store or the Ben and Jerry's factory outlet, or the Pez store, where people come in for that experience to get acquainted with the brand. We want people to come in, experience our personality, experience the kind of the Waypoint lifestyle, if you will, understand who we are and then go out and be unpaid, energetic brand ambassadors for us. We have people come in every weekend. They really enjoy it and they go out and tell our friends. We watch our social media explode every weekend with people who were there and get to try different spirits, enjoy their tours, their personalities. One of the biggest metrics for success we have is when we look at our Yelp rating, our Google rating, our Facebook rating, and our Square rating are all sitting at
five stars even, because we view what we do in our tasting room as a very big marketing tool.

There is definitely a financial benefit -- or it would be a big financial benefit to allow us to sell cocktails, keep people there longer and let them become bigger fans of what we do. When we talk about extra revenue generated from our tasting room, it's not to line our pockets. I've been doing my job at Waypoint as the owner for nearly four years. I still don't draw a salary. We give all that money back to our employees because it is our goal for right now to turn our part-time jobs into full-time jobs.

The people we hire at Waypoint are from the community. Our employees are from Bloomfield, Windsor, East Granby. I'm the outlier. I live way up in the back woods of North Granby, so I'm the only who's not super local to the distillery.

REP. D'AGOSTINO (91ST): So, what do you make? Gin, vodka? What do you?

MR. TAYLOR: Yes.

REP. D'AGOSTINO (91ST): And just in terms of the scope of the sales of the tap room that you'd be looking to do. Again, we had some discussion early on. With respect to a mixed drink, your alcohol with a mixer, like a gin and tonic, a vodka tonic, that sort of thing?

MR. TAYLOR: We think that's an interesting starting point. I mean, we distill vodkas, gin, whiskies and rum. What makes our industry a little bit different, or our corner of the industry, a little different from the breweries and the
cideries is you can walk into a brewery and order a
glass of beer and it's a finished product. If you
walk into Waypoint, we don't want to give you a
warm glass of gin. We know what our consumers
like. Making a simple gin and tonic may satisfy a
few of them. But what we are seeing is the people
who are very interested in Connecticut craft beer
and spirits want interesting and creative
cocktails. You know, if were to take a field trip
across the street to Little River Restoratives is
one of the most interesting bars in Connecticut.
Their cocktail program is amazing because they --
they're basically chefs behind the bar. They're
able to layer flavors -- excuse me. Layer flavors
to create a unique cocktail experience. So, we're
--

REP. D'AGOSTINO (91ST): Yeah. I mean, I know
where you're -- I think where you want to go. I'm
just trying to figure out and maybe get your
perspective on how we balance that with. You heard
the concerns all today, is that we're trying to
balance enabling you guys to have a thriving tap
room with the fact that, hey, we don't want this
loophole that all of a sudden you're operating a
full bar without being a full bar.

MR. TAYLOR: Sure. I can swear I'll never sell a
glass of Tito's. But our primary objective is to
build our brand. So while we may want to include
some liqueurs from Hartford Flavor or some whiskies
from Litchfield, our primary goal is to build the
Waypoint brand. If we start selling more
Litchfield Bourbon, you know, we're in the wrong
business. That's not our goal. Jack's bourbon is
delicious, but my goal is to build Waypoint into
not only a Connecticut brand, but also a national
and international brand. Right now, we are growing our distribution outside of Connecticut as well as we are looking international. By the summer, we will be shipping Waypoint Spirits products to Asia.

REP. D'AGOSTINO (91ST): Great. Any questions from --

MR. TAYLOR: But that's expensive. So, we need a cash flow generator.

REP. D'AGOSTINO (91ST): Yeah. Representative Ackert.

REP. ACKERT (8TH): Thank you, Mr. Chairman. And thank you for your testimony. I think about your conversation because my brother lives in New York. They have a place that's got core vodka. It's a apple vodka. They used to be -- they used to sell apples. That's all they did. And fritters, so, you know, whatever. And then they said, hey, we can make alcohol out of this stuff. So, they make a -- and then they make everything. And they have a tasting room, so they can go taste, which you can do now, a tasting room.

MR. TAYLOR: Correct.

REP. ACKERT (8TH): So, you're just thinking, okay, now I'm gonna set up a little bar top and somebody can sit around the bar top and have a refreshment, essentially, a glass of vodka or whatever. Is that essentially -- and sell that glass of vodka.

MR. TAYLOR: Well, ideally, we'd like to make that into a unique cocktail for people to enjoy rather than serving them a glass of vodka. Right now, we are allowed to give out up to two ounces.
REP. ACKERT (8TH): That's what I was gonna say. What is the -- because I'm looking at the legislation right now. So, the tasting is two ounces.

MR. TAYLOR: Correct.

REP. ACKERT (8TH): Per person per day. So, I -- like, if you had two. Like, you had a vodka and a brandy and a -- it's just two total?

MR. TAYLOR: Correct. Right now, the way we give out our samples are in very small tasting glasses about an eighth of an ounce so that we can run people through our full portfolio.

REP. ACKERT (8TH): Thank you. Thank you for that clarification. Thank you, Mr. Chairman.

SENATOR WITKOS (8TH): Would it work for you to allow you to have mixers other than, I'd say, nonalcoholic mixers. So, you're making a drink. So, if you had the juices, the sodas, to be allowed to mix your signature things that you produce at your facility alone.

MR. TAYLOR: It would, but it wouldn't do justice to the craft that we're all part of. We -- it would be like saying, you know, a brewery can only serve a lager. When we develop our products they are meant to be part of a unique and robust cocktail. You know, the gin and tonic is a cocktail that's probably seen its day. People-- you know, right now, our core customers are millennials. They demand something unique, and mixing a rum and cola is not going to cut it for very long.
SENATOR WITKOS (8TH): Okay. That makes it difficult for us to try to figure out how you'd get around because in essence you are running a -- would be running a full bar operation, if you will, with showcasing the products from your facility, but you could use whatever.

MR. TAYLOR: Well, like I said, I think, you know, we are here to build our brand. We -- you know, we've invested well over a million dollars in our distillation equipment already in starting up our company. It would not benefit us in any way to start pushing other products. So, you know, anything else we did would be completely in an ancillary form. So, I'd be open to talking about, you know, ratios of, you know, this percent of our product versus others. But the way that the craft cocktail world works is that it's a combination of -- a grouping of spirits.

SENATOR WITKOS (8TH): What do you see through your industry that happens in other states? How do they -- because, you know, we kind of have siloed, everybody siloed a little bit.

MR. TAYLOR: Right.

SENATOR WITKOS (8TH): And we're trying to craft legislation that allows folks to -- I don't want to say creep onto each others' lanes, but that seems like it's gonna be the case. And, you know, I think the restaurants and the bars make a very valid reason in saying we have to go through these extra steps to be able to sell this type of product. That's not their license so why are they infringing upon our licensure sphere.

MR. TAYLOR: I'm not sure what the question was.
SENATOR WITKOS (8TH): So, the question is how do we address or alleviate the concerns of those that are saying we're paying X. This is our niche that we do. If you come into a bar, you can mix anything you want. We sell, you know, the final product. Those folks may be buying your product to sell in their bars or their restaurants. So, they say if we have people coming to our place, you know, the more we sell the better off you are because yours as a bottle versus just a cocktail at your bar.

MR. TAYLOR: Correct.

SENATOR WITKOS (8TH): So, how do we -- if we wanted to look at something to help you out -- as I said earlier in the committee, if we put something here that's too controversial, everything blows up and nothing happens. So, with respect to hearing the concerns of everybody else, what can we give you to help you get what you need while respecting those points that other people have made?

MR. TAYLOR: Certainly. I guess there's two items I'd like to address. You know, one is the question of parity. It's a word I'm sure you're all sick of hearing today. You know, that's what we are looking for. You know, we see that our counterparts in the wineries and the breweries are able to do much more and we watch our revenue walk out the door every day because they're able to do much more.

When we talk about our relationship with the restaurants, I see that as a real partnership. Our biggest restaurant customer in the state is Republic in Bloomfield and not only did they take our first case of Labrador Noon Vodka, but also we
work -- we're very conscious of making sure that our customers know about our restaurant partners. When we have customers come in every weekend and say, hey, I'm gonna go out to dinner now or we're going to go out to, you know, lunch. Where should we go? I have my employees very much on the ball where we take out a business card and we write the name of the restaurant on it and say please go down to Republic and tell them the guys from Waypoint sent you because we want to drive that traffic to the restaurants.

We want people to come in, learn about the brands at Waypoint, but then we want them to buy their second or third or fourth bottle at the liquor store and we want them to continue to buy their cocktails when they're out at their local restaurants. We don't want people back every week. We are not looking to be a neighborhood bar.

SENATOR WITKOS (8TH): Okay. Thank you. Thank you, Mr. Chairman.

REP. D'AGOSTINO (91ST): Just following up on the Senator's comments. I think what -- something that we're trying to get at here is that part of that issue with parity is, of course, you said it before; the beer is a finished product.

MR. TAYLOR: Correct.

REP. D'AGOSTINO (91ST): And it's gonna be difficult for us to say you can just use any alcohol you want. So, what I'm wondering, is there enough -- I'm not as familiar as I should be with the breadth of products that are available in the Connecticut distillery marketplace. If we said you could use -- I mean, we heard from Hartford
Distillery how they make some terrific mixers. If we said to you, you can use other Connecticut distillery products, would that enable you to be creative enough past the gin and tonic level?

MR. TAYLOR: We are incredibly fortunate that, yes, even though our industry is not quite as mature as the beer world, we do have a great set of spirits being distilled here in Connecticut. I do think that would work. Between combining some of the liqueurs from Hartford Flavor, some of the brandies from West Hartford, or some of the whiskies from Litchfield, I think we can absolutely make something that not only showcases our spirits but also showcases what, you know, what we can do here in Connecticut.

REP. D'AGOSTINO (91ST): That's helpful. Other questions from committee members?

SENATOR WITKOS (8TH): And you would not be looking to sell those other products on premise that you use in your mixes.

MR. TAYLOR: No.

SENATOR WITKOS (8TH): You would only sell Waypoint products at your facility on premise.

MR. TAYLOR: Correct.

SENATOR WITKOS (8TH): Okay.

MR. TAYLOR: I like them very much, but I like (laughter) so much better.

SENATOR WITKOS (8TH): I gotcha. A great business bunk. Thank you. Thank you, Mr. Chairman.
REP. D'AGOSTINO (91ST): That's a good point, a good follow up. Thank you. I think that's it. Thank you very much. That's probably actually a good segue to Lelaneia Dubay from Hartford Flavor. We heard from your husband earlier today.

MRS. DUBAY: Hello. Thank you so much for allowing me to speak. I appreciate the time. We've been here a long day. I'm Lelaneia Dubay, Hartford Flavor Company. Basically, we make a line of all natural botanical liqueurs. We are trying to bring a distillery back to Hartford by creating a unique experience right here in Hartford. We're a mile down the road. We're really proud of that. We are creating jobs in Hartford. We have 14 full and part-time employees and we're proud to create uneducated jobs. So, we take people from the area and educate them in what we do because nobody knows how to do what we do, so we just train them. It's great.

We also have a deaf woman that works for us and we're really proud of that. So, creating jobs. We're looking to grow and be a part of a statewide successful industry that includes all of the state. And we're looking to grow a brand in that state. So, there's twelve distilleries and we're really proud to be doing something that isn't disruptive to the booze market, if you will, and how can we help that market grow in Connecticut.

Basically, the way the laws are now, that hamstrings distilleries' abilities to be successful without large sums of investment money. Other states have environments that are more conducive to being successful. Connecticut distillery laws are antiquated and we are seeking equity with the
brewery and winery laws so that we can be as successful as they have become. Hartford Flavor and other Connecticut distilleries are innovative and have won international awards. We need to be able to continually press the innovation boundaries and grow.

We would love to be able to sell to farmer's markets and other certificate -- certified Connecticut-made fares. I have to tell every single person that I talk to that they can't buy from me. That is really hard for my business. I make a product that I can't sell at a farm market like a winery can. And I would benefit so much more; all of the distilleries would, if we could be able to do that. I would like to be able to have more control over my product.

Basically, we do understand the determination of the wholesale determination. That was definitely determined how I started. I self-distributed for the first five months. I was very afraid to make that contract because I would be stuck in a business that I may or may not be able to get out of. So, I learned the business very carefully and we are now very happy in the three-tier system with Brescome Barton. So, I do believe in the three-tier system, but I do believe that that little clause is incredibly frightening for an industry that is starting out in the state. And I do think that that should be looked at. I think the clause where you can't get out of it is a game changer for a lot of people.

About 50 percent of our people that come in want to buy a cocktail and 60 percent of the people want to be able to buy more than the limit that we can sell
them now. So, this again greatly inhibits my ability to be a profitable business. Basically, I'm four years old. I'm very proud of still being alive at the four-year mark. We have two distilleries in the state that have closed down because we've been trying to be able to get cocktails for the last two years. And I am at the brink of being able to really strongly consider closing down my business because I cannot make enough revenue to be able to support the business as a distillery the way the laws are now.

REP. D'AGOSTINO (91ST): So, the same question as before. I think it would be helpful to hear from you. And again, you're in this little -- this niche and it's tough for us to sort of figure out what to do.

MRS. DUBAY: I am a niche. I'm a niche and I'm proud of that niche.

REP. D'AGOSTINO (91ST): Yeah, it's great. I mean, yeah.

MRS. DUBAY: And I'm creating something that's completely unique and market disruptive. So, I'm trying to bring something singular just to Connecticut.

REP. D'AGOSTINO (91ST): And so you need to be able -- and you need to be able to mix your products with other alcohol also.

MRS. DUBAY: Correct.

REP. D'AGOSTINO (91ST): And then other juices or whatever to make a --

MRS. DUBAY: Make a cocktail.
REP. D'AGOSTINO (91ST): You know, a cocktail.

MRS. DUBAY: Yes, and that's what we do now. So, I'm allowed to give away two ounces. I give away micro-bits so that they can taste the liqueurs on their own and then I give away sampling cocktails for free. So, I buy alcohol and mixers at full price and I make little sample cocktails so that people can understand what to do with my product. Part of my product needs education, and without that education, I don't have a brand.

REP. D'AGOSTINO (91ST): So, if we did -- and it's sort of the same question again. You know the breadth of the Connecticut distillery market better than I do. If we said to you, you can -- if we limited it to just Connecticut distillery products, their gins, their vodkas, their brandies, etcetera, with your products. Would that suffice?

MRS. DUBAY: It would, but it would still be very limiting. I'll be honest. I'm here to grow my brand. And as much as I love the other distilleries and I support them completely and we pour the other brands in our tasting room, I need to be able to survive first, rather than promote other brands. That's just a realistic of being -- of the laws they are now. If things were opened up and things were -- we were allowed to be able to be fully embracing in what we're doing, then I think that that could work. But I need to be able to look a little bit of a larger field to be able to create this brand that I want to be national and international. That starts right here in Connecticut. So, I'm trying to create something that's singular and unique and I'm really hamstringed by the law.
REP. D'AGOSTINO (91ST): And just sort of thinking about if we try to approach this in stages in terms of what the manufacturer permit, maybe we allowed that Connecticut piece. But we've also heard testimony and talked about how, again, it -- I guess I'm still unclear about whether you can actually open -- get a separate bar license or not. But let's assume that we can get -- you can get a bar permit.

MRS. DUBAY: So, I can't. So, as a manufacturer of liquor, I may not own a restaurant.

REP. D'AGOSTINO (91ST): All right. So, let's say we create an exception and allowed you to do that. Is that -- that's another way to solve this problem for you, right?

MRS. DUBAY: Yes, absolutely. And if that law changes, I would -- I'm ready to expand my position five times what it is now, because I have tourism. I have brought some awesome naps. We create tourism and part of what I'm trying to do for Hartford, in particular, and the state, in general. Distilleries across the country are having a ginormous boom in craft cocktails. And it is [inaudible - 07:56:47] and I'm incredibly thankful that we have a state that has lenient laws so that the breweries could be doing what they're doing. But we don't have that equity and we need to be able to do that. They're doing so well because they have looser laws. And what I do here -- this is just one year of seeing how many people from all over the area and then the country and I've got the world map too. I didn't bring that one because it's way bigger. That are coming to our tasting room for tourism. So, people come from all over
the region to come and see me and I want to be able to give them the full experience so that they can take it to wherever they are, including being able to sell a little bit more than I do, because they'd like to be able to leave the state with a few more bottles. It doesn't mean that they'll always come back to me. They're gonna come back to their, you know, package store that's closer to them. --

REP. D'AGOSTINO (91ST): But maybe they'll tell their package store, hey, you need to carry this product.

MRS. DUBAY: Exactly. So, I'm trying to grow the brand. That's what distilleries are all trying to do. So, we're really proud of this. We have a cute little story. We had a couple, they are married and they don't live in the same state. One's from D.C. and one's from Maine and they chose our distillery to come and meet at. So, it's that kind of stuff that we're doing.

REP. D'AGOSTINO (91ST): And I just saw an article in the Wall Street Journal a couple weeks ago about how this is the new millennial alcohol market as what they're -- they want the cocktails. The beer sales are, at least the larger national beer sales, are suffering and this is where the under-30 crowd is really going.

MRS. DUBAY: Yes, absolutely. Craft cocktails are the next wave and I'm so thankful that we do have those breweries and I know that they will all do well and we're really proud as an economic state to be able to have those things. But the next wave is cocktails and I'm trying to be able to bring that to the state. How can we open the laws and make it so that we can compete with New York State, with
Massachusetts, because they have -- this is going there. This is already way ahead of us. And we can compete with that if we change it and create commerce, create tourism, have people come and want to be here and spend money in our state.

REP. D'AGOSTINO (91ST): Senator Witkos has a question.

SENATOR WITKOS (8TH): Thanks. I think it's great looking at the maps that you have and I'd be curious to see the global map when -- if you've only been in business for four years, to see the diversity of where people come from to find your establishment here in Hartford. I think --

MRS. DUBAY: It's really cool.

SENATOR WITKOS (8TH): That's great for the Capitol City. There's a proposal to double the amount for off-premise purchase. Will that get you where you need to be?

MRS. DUBAY: No, it won't. I need to be able to sell more because I'm trying to -- because the laws are restrictive, I'm trying to be able to find new markets to be able to sell the product. And I have -- I'm working on the bridal industry. Because my liqueurs are so unique, if you add them to champagne for a bridal toast, you have a unique product. And so I have brides coming to me all the time wanting to be able to buy a case or two for their wedding and they can't. And that would really help me.

So, if I make this beautiful product, why can't I see it? Why can't I -- you know, I'm not dissing the restaurants. We're in 900 establishments in
Connecticut. We are in multiple states. We're growing as fast as a small brand can. But why -- it's my product. I should be able to sell it however I want and wherever I want it. I've worked really hard to get here, invested all my savings. I still haven't taken a paycheck yet. And at some point I need to be able to make a profit. I do have to seriously consider that if things don't change, possibly closing.

SENATOR WITKOS (8TH): Okay. Thank you. Thank you, Mr. Chairman.

REP. D'AGOSTINO (91ST): Representative Candelaria.

REP. CANDELARIA (95TH): Thank you, Mr. Chairman. How long have you been in business?

MRS. DUBAY: Four years.

REP. CANDELARIA (95TH): Four years. And can you - - if you have the information, can you tell me how much have you grown each year with the limited ability that you currently have?

MRS. DUBAY: So, right now, we are at about 3,000 cases. So, I'm a specialty brand. I'm not a gin or a vodka. They grow faster. And so I have to work harder to try to equal other kinds of distilleries. We had about 4,000 people in the tasting room last year. Yes, I need to grow. I need to be able to change laws so I can grow.

REP. CANDELARIA (95TH): So, if we expand it, have you made an assumption of how much more would you be able to grow? Because I think at the end of the day, that's what we want to see. We want to ensure that you continue to grow.
MRS. DUBAY: So -- right, right.

REP. CANDELARIA (95TH): So, we want to make sure that we understand that by providing you with the flexibility, right, to have all the other spirits and you can mix them and do the cocktails that you want to do. Where would you see your company going if you had that ability?

MRS. DUBAY: So, I have a space. The City of Hartford has asked me to possibly move over to the Parkville section where the new Parkville Market's going into. And I would be expanding my distillery and creating a tasting room and a concept restaurant that is all Wild Moon, which is my brand, driven. So, it would have Wild Moon in all the cocktails, Wild Moon in the food. Something that nothing -- nobody else could provide. And that space will be about five times my space now. So, I'm ready to grow big.

REP. CANDELARIA (95TH): Thank you for those answers.

REP. D'AGOSTINO (91ST): Thank you, Representative. I think that's all. Thank you very much. Very informative. Thank you for sticking around and providing that perspective.

MRS. DUBAY: Thank you.


MR. BAKER: All right, I did submit two written testimonies because I thought I had to testify on the two different bills. So, I'm gonna try not to
be redundant and other things and I'm probably gonna have to jump around a little. So, hopefully you can read through the written testimonies.

The two important things besides the cocktails and the other things the other guys mentioned, I would like to focus again back on the increase in bottle sales. You guys get it. I don't have to re-explain what increased bottle sales does for a business. It's more income. The faster we can grow, the more we can invest, the more people we can hire. It's important to know that the point that the bottle sales are tourism sales to the most part. We don't have a lot of repeat business at the distillery. Most of the people coming are coming there because they have friends from other towns visiting them and they'll come in and show them their local distilleries, and they'll like to buy some bottles. Often, we can't sell everything they'd like to take back to their state with them. Often, we have to ask a husband and a wife to present two credit cards because one of them wants two bottles of something, one of them wants another bottle of something. They look at us like we have two heads when we ask for two credit cards to get to that level.

We would like to see a case as the limit, a 12-bottle case. That's not gonna be sold to a local buyer. He is not gonna come in our liquor store -- we're not a liquor store. He's not gonna come in there and have the variety of things he can at his local liquor store and buy in quantity when he can drive by every day if he wanted to stop more often, but they don't. You know, I tried to drill down in some of our Square data, our point of sale data. The amount of people that bought twice last year at
the distillery was around five percent. Ninety-five percent of the sales were first-time sales. The people that bought more than twice are less than one percent of our sales. So, we're not there to repeat business.

We have a list of all our stores at the entrance of the distillery. At the end of the tour, we ask everybody to review that list and visit their local store. So, we're not -- we're trying to create business for our local stores. We often send people to stores to buy our products, some of which we're out of because they were seasonal. So, we work very, very closely. The closer the store is to our distillery, the more they sell of our products.

The other important part was increasing the limit from 25,000 gallons to 100,000 gallons of which we can continue to operate a tasting room and sells bottles at retail from a tasting room. I don't think anybody's really spoke too much on that. Twenty-five-thousand is a miniscule amount of gallonage to create a scale of business that -- and I appreciate the thought of bringing it to 100,000. You know, it sounded like a lot four years ago when we sat here and we couldn't sell anything. But it will quickly force us to make a decision to close a tasting room or lose 20 percent to 25 percent of our business and try to lose the tasting room business and jump to a -- so, I don't think there's any other segments that you put part of their business out of business because they became partially successful.

So, I think that -- and if I could elaborate just a little more to that point. You know, we like to
collaborate with other people that our manufacturing capabilities are already there. They wouldn't have to invest in them. We could produce products for them, but not if it's gonna eat into our 100,000-gallon limit. So, that's another complication there. We're starting to enter a very new and trendy part of our industry, canned cocktails. Lower alcohol, seven percent alcohol, but tremendous more gallonage. We can't enter that market if we're going to lose our ability to sell out of our tasting room.

And not only does the tasting room benefit us, our whole region benefits from the tourism it creates, the people we send out to bars and restaurants, people we send out to liquor stores and to the wineries and the breweries. We're all sending everybody back and forth. If we lose our bottle sales, we cannot have a tasting room. We can't four or five people pouring something that we can't even charge for the pouring for. So, that limit is very, very restrictive and it's a time bomb in our industry.

REP. D'AGOSTINO (91ST): Thank you for testifying on that. We didn’t hear much about the 100,000 limit -- the increase to 100. And that crystallizes why that's important. Any members have questions? Go ahead, Senator.

SENATOR WITKOS (8TH): I just wanted to get a clarification on that. So, if you're limited to a number of gallonage, you can't exceed that in a tasting room and off-premise and what you sell out the door?

MR. BAKER: Well, if we -- the law says produced, which is word that -- what's produced? Is it
produced sitting in our store? How is it when we haven't even sold it? Is it produced when it leaves and we pay the excise tax on it? So, and that's the interpretation we have. When it leaves our place, we produced the sale of it and that goes into that equation. Did I lose the question?

SENATOR WITKOS (8TH): So, what happens when you hit 100,000 gallons?

MR. BAKER: Well, right now, it's 25,000.

SENATOR WITKOS (8TH): Or 25,000.

MR. BAKER: And you're -- we can no longer sell at retail from our tasting room. There's no other market segment that has that.

SENATOR WITKOS (8TH): Ah. That needs to change.

MR. BAKER: Yeah. So, you know, four years ago when we sat here, it was a number that seemed huge. But after four years in business, and for better or worse, I'm in the same position everybody else. I have not taken a dime from the business.

SENATOR WITKOS (8TH): Thank you. And if you could suggest a number that you think would, you know, I mean, is it --

REP. D'AGOSTINO (91ST): We put 100,000 in the draft.

MR. BAKER: Yeah. Well --

SENATOR WITKOS (8TH): But if that's, you know -- you know, four years ago, 25,000, I thought we'd never exceed that. I don't want to come back every year, you know. Let's look at --

MR. BAKER: Right. Well, I don't know what --
SENATOR WITKOS (8TH): Do we need to have a limit, I guess is --

MR. BAKER: I don't know why there's a limit, frankly. Why is there a limit that would penalize us for being successful, that would ultimately cause us to close a tourist attraction in Litchfield County?

SENATOR WITKOS (8TH): Right. Okay. Thank you.

MR. BAKER: A hundred-thousand gallons is a lot better than when we walked in here at 25,000. So, you know, I really appreciate the thought that went into that that most people hadn't really focused on. But what business do you shut down because they became successful? I don't know.

SENATOR WITKOS (8TH): Thank you for bringing that to our attention.

REP. D'AGOSTINO (91ST): Thank you, yeah. Other questions from committee members? Thank you.

MR. BAKER: All right. Can I say a couple of quick thank yous? Department of Liquor Control, always good to deal with, receptive and available. Connecticut Tourism for helping people find our places.

MR. MARDOFF: I guess I was so far down that list they took me off the list maybe. I don't know. But, good evening, Mr. Chairman, members of the committee, fellow Connecticut residents and entrepreneurs. My name is Kevin Mardoff and I'm here from New Canaan, Connecticut. And I'm here to support House Bills 7183 and 7184, specifically no limit on direct to consumer sales from breweries for beer to go off-premise consumption.

I'd also like to do the best I can to be a voice for consumers. As the owner of CTbeer.com and beerfest.com, maybe some of you have attended an event at a brewery or at a beer fest we work with. When I first started these sites years ago, I did so after going to a local beer fest in my hometown. The enthusiasm of those in attendance for the opportunity to sample local craft beers and talk to the folks who make them was very apparent. Events are a great way for consumers to try and then go out and buy craft beer. Hundreds, if not thousands of people flock to breweries throughout Connecticut every weekend and many, like me, had their taste of craft beer at a local event. Craft beer is also a great way to attract tourists to any state. For example, in Vermont, more folks visit there to go to breweries than to ski. This generates millions of revenues for their state.

With no limits combined with all the great local brewery options, perhaps together we can make Connecticut a premier travel destination in New England. I, as well as many of the consumers have personally spoken to are opposed to continuing to place any limits on how much beer breweries can sell directly to us. I would -- imagine going to
Pepe's Pizza in New Haven and only be allowed to take home half a pizza, not the whole pie.

Just like with any handmade and carefully crafted product, we, the people, want the right to purchase as much beer as we want directly from the source. Ultimately, as a community, our loyalties come from our desire to support local business. And I do have to say from hearing from all our entrepreneurs in the beverage sector that we would like no business, you know, no limits there as well. Additionally, please consider that 37 other states currently have no-limit beer laws. So, our request for no limit is not unpopular.

Please vote to make Connecticut the 38th state with no limits. I could tell you from years of experience as an entrepreneur and working in a tech world which has the mantra of win at all cost, the beer industry is one where those involved are cooperative and collaborative. Many of these fine folks started brewing beers in their garage and now living a dream come true, seeing their names on a brewery. I know some out there are looking to level the playing field and I don't have all the answers on how to go about this. But I'm confident with craft brewers any differences could be resolved over a pint of craft beer.

In closing, I hope you support no limits to help sustain a booming Connecticut craft beer industry and blossoming interest for craft beer for Connecticut residents and beyond. Thank you for your time today and cheers.

REP. D'AGOSTINO (91ST): Well, I think probably a great way to end. Did we get that in writing, your testimony in writing? Can you email it?
MR. MARDOFF: Absolutely. I'll send that.

REP. D'AGOSTINO (91ST): Terrific. Thank you. Questions from committee members? That's a great way to put a bow on the day. Thank you, sir. And we are adjourned.